



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 26, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2011**

Attached is the audit report on the financial statements of the Los Angeles County Flood Control District (District) for the year ended June 30, 2011. The audit was conducted by an independent Certified Public Accounting firm, Moss, Levy & Hartzheim, LLP (Moss), under the Auditor-Controller's master agreement for audit services.

Moss' report indicates that the statements present fairly, in all material respects, the financial position of the District, in conformity with accounting principles generally accepted in the United States of America. Moss identified no material weaknesses involving the District's internal controls over financial reporting requirements.

Please call me if you have any questions, or your staff may call Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MP

Attachment

c: William T Fujioka, Chief Executive Officer
Gail Farber, Director, Department of Public Works
Public Information Office
Audit Committee

Los Angeles County Flood Control District

(A COMPONENT UNIT OF THE COUNTY OF LOS ANGELES, CALIFORNIA)



Comprehensive Annual

Financial Report

Fiscal Year Ended June 30, 2011

Director Gail Farber



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

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LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

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GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE

REFER TO FILE:

FI-4

December 29, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

We are pleased to submit the Comprehensive Annual Financial Report of the Los Angeles County Flood Control District (District) for the year ended June 30, 2011. The District is a blended component unit of the County of Los Angeles. The report contains financial statements prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities and provides a comprehensive overview of the District's financial operations and financial position. The accuracy, completeness, and fairness of presentation of all information in this report are the responsibility of the District.

The Independent Auditor's Report is located at the front of the Financial Section of this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this transmittal letter and should be read in conjunction with it.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT AND ITS SERVICES

The District was established in 1915 under the Los Angeles County Flood Control Act. The District's powers are exercised through your Board acting as the District's governing body. The District's mission is to provide for the control and conservation of the flood, storm and other waste waters of the district, to conserve such waters for beneficial purposes and to protect the harbors, waterways, public highways and private property within the district from damage from flood and storm waters.

The District boundaries encompass approximately 2,752 square miles. The District operates and maintains one of the most advanced systems of flood control and water conservation in the Country. The District's current infrastructure includes 14 major dams, 483 miles of open channels, 2,953 miles of underground storm drain conduits, more than 80,000 catch basins, 61 pump plants, 155 sediment entrapment basins, 253 crib dams, 29 sediment placement sites, 27 spreading grounds, 21 low flow diversion structures, 1 constructed wetland and 3 seawater intrusion barriers. The District's major programs are categorized as Flood Control, Water Conservation, and Stormwater and Urban Runoff Quality. These programs are described as follows:

- **Flood Control** - This program includes planning, operation, maintenance, and rehabilitation of flood control facilities, emergency preparedness, storm response, floodplain management, regulatory compliance, and public education.
- **Water Conservation** - This program includes the planning, operation, maintenance, and rehabilitation of water conservation facilities, regulatory compliance, and public education.
- **Stormwater and Urban Runoff Quality** - This program includes compliance activities of the District as mandated under the Los Angeles County National Pollution Discharge Elimination System (NPDES) Permit. The District's responsibilities include conducting special water quality studies, water quality monitoring of the District's channel system, enforcement of an illicit connection and discharge program, and conducting annual public education on stormwater quality.

ECONOMIC OVERVIEW

Continued population growth in the County will continue to increase demands on already limited water supplies. To address this demand, the District continues to look toward expanding water conservation programs and identifying more opportunities for stormwater capture, treatment, and recharge.

The District's revenue stream is primarily supported by benefit assessment and property taxes. After experiencing a decline for the past two consecutive years, the Assessor reports that assessed property values are reversing their trend.

The District continues to seek grant opportunities to offset increasing costs, as well as partnerships and collaborative efforts with agencies and organizations to leverage resources. On November 7, 2006, voters approved California State Propositions 1E and 84, which allow the State to sell bonds for financing projects that will enhance flood protection and improve urban runoff and stormwater quality. To date, the Flood Control District has won \$20 million in competitive grant funding from Proposition 1E for its Santa Anita Dam Seismic Remediation and Spillway project.

MAJOR INITIATIVES

FUNDING

In September 2010, the Governor of California signed into law AB 2554, an update to the Los Angeles County Flood Control Act, which provides the District with the authority to charge a clean water fee (subject to a proposition 218 vote) to pay for the cost of carrying out projects and providing services to improve water quality and reduce stormwater and urban runoff pollution. Revenue from the proposed fee would be allocated to 3 different programs: 10% to the District for water quality monitoring, planning/modeling, and administration including fee collection and certification/auditing; 40% to cities and county unincorporated areas to be used for those jurisdictions' water quality improvement programs; and 50% to Watershed Area Groups to implement collaborative regional programs at the sub-watershed level. Currently, the District is exploring options for conducting the proposition 218 vote in Spring 2013 or Summer 2013.

FLOOD CONTROL

Dam Rehabilitation Program – The District has undertaken a program to upgrade its dams to meet current seismic and spillway requirements. The seismic rehabilitation and spillway modification of the Big Tujunga Dam was completed in 2011. With the completion of Big Tujunga Dam, the District has spent approximately \$151 million in construction costs for the Dam Rehabilitation Program since the 1994 Northridge Earthquake. Anticipated future construction projects under this program include the Big Dalton Debris Dam, Eaton Wash Dam, Santa Anita Dam, Santa Anita Debris Dam, and Sawpit Debris Dam. As part of the Santa Anita Stormwater Flood Management and Seismic Strengthening Project, the District is planning \$40 million in modifications to existing facilities along Santa Anita Wash. These facilities include the Santa Anita Dam, the Santa Anita Debris Dam, the Santa Anita Spreading Grounds, and the Santa Anita Headworks. Based on the District's Proposition 1E grant proposal for this project, the State Department of Water Resources has ranked this project as number 1 out of 41 proposals and recommended a draft funding amount of \$20 million in matching funds (actual State funding commitment is pending).

Dams Inlet/Outlet Works Rehabilitation Program – As the District's dams continue to age, many of the inlet/outlet works and ancillary components such as flood control valves used for releasing reservoir water are coming to the ends of their useful lives and require major maintenance, repairs, and/or replacement. Since 2009, when the program was initiated, the District completed or is now in the process of completing numerous inlet/outlet works projects totaling approximately \$20 million in construction costs. An additional \$40 million in inlet/outlet works rehabilitation projects is planned under this program over the next 10 years.

Security Action Plan for District's Major Dams – The District started implementing physical infrastructure elements such as new hardened access gates and fencing, control house intrusion alarms, improved lighting, and other security features at select dams. The estimated cost of this program is \$1 million.

Integrated Regional Water Management Plans (IRWMP) – This program, initiated by the State Department of Water Resources, brings together agencies and organizations with water resource interests to collaboratively address the water resource challenges in the County and surrounding areas. This collaborative effort includes the District, cities, water purveyors, water wholesalers, groundwater managers, environmental organizations, open space stakeholders, stormwater managers, and representatives from disadvantaged communities.

Cooperative Projects with the Army Corps of Engineers – The District is currently involved in several project studies being sponsored and conducted by the Army Corps of Engineers. Project objectives include flood protection, water conservation, and stream restoration. The projects are spread throughout the District and listed below:

- Arroyo Seco Watershed Feasibility Study
- Tujunga Wash Restoration 1135 Study
- Phase II Los Angeles County Drainage Area Stormwater Management Plan
- Sun Valley Watershed Feasibility Study
- Whittier Narrows Water Conservation Study
- Coyote Creek Feasibility Study
- Santa Clara River Feasibility Study
- Ballona Creek Ecosystem Restoration Study

Federal Emergency Management Agency (FEMA)–National Levee Certification Program Compliance – The District has a program that certifies that District-owned levees meet Federal flood protection standards. The objective is to ensure that all levees are evaluated and certified, enabling FEMA to continue to show them as providing flood protection from a 100-year flood on their Flood Insurance Rate Maps.

To date, approximately 55 miles of levees have been certified and are awaiting acceptance from FEMA. Improvement alternatives are also being developed for approximately 14 miles of levees that have not been certified.

Integrated Water Resource Planning – This program addresses flood protection and water conservation goals of the District in an integrated fashion. The goal of this program is to undertake projects that provide multiple benefits to the communities served by the District including flood protection, water conservation, water quality, and community enhancements such as active and passive recreational facilities. Funding for projects that go beyond the District's purview is provided through multiple partners such as State conservancies and local, State, and Federal agencies.

Reservoir Sediment Removal – The District's 14 major dams and reservoirs are the backbone of the District's flood protection and water conservation network. The reservoirs also perform debris control due to their location in the San Gabriel Mountains, which are considered among the most erosive in the world. As a result of erosion, sediment from the tributary watersheds washes into reservoirs on a continuous basis. This accumulation of debris reduces the flood peak attenuation, water conservation, and debris control capacities of the facilities. After the fires in 2008 and 2009, storm flows increased the sediment and debris inflow into these facilities. Several reservoirs have lost significant storage capacity and must be cleaned out. Anticipated construction projects under this program include Devil's Gate, Cogswell, Pacoima, Morris, and Big Tujunga Dams and Reservoirs. The cost to remove sediment from these facilities is expected to exceed \$100 million. Due to the large quantity of sediment, new locations and/or partnerships are being pursued in search of additional disposal sites.

Post-Fire Debris Protection – In the aftermath of major fires that occur in the vicinities of neighborhoods, the District investigates the need and feasibility of installing temporary post-fire debris barriers to minimize mudflow impacts to these neighborhoods during storms. When installed, the temporary barriers remain in place and the debris collected by these barriers is removed as needed until the burned hillsides recover, usually about five years. The District installed four debris barriers in the 2007 Ranch Fire area (Castaic and Val Verde), three barriers in the 2008 Santa Anita Fire area (Sierra Madre), three barriers in the 2008 Merck and Sesnon Fire areas (Kagel/Lopez Canyons and Twin Lakes), and networks of barriers along several streets in the 2009 Station fire area (La Crescenta and La Canada Flintridge). About 75 percent of the District's material and installation costs were reimbursed by the Natural Resources Conservation Service under its Emergency Watershed Program. Removal of the temporary barriers is anticipated to take place between 2012 and 2014.

Post-Fire Sediment Management – The 2009 Station Fire, covering 160,000 acres, was the largest fire in Los Angeles County history, compounding the impacts of the 2009 Morris Fire and the 2008 Santa Anita, Merek, Sesnon and Sayre Fires. These fires impacted six of the District's reservoirs and more than 40 of the District's debris basins. Increased frequency and volume of cleanouts of the fire area debris basins have resulted in rapidly filling the District's nearby sediment placement sites and increased use of local landfills. We expect the need for cleanouts of these fire area facilities and accelerated filling of sediment placement sites to continue for several years, as the normal recovery period on disasters like this is generally five years. Additionally, some of the reservoirs impacted by the fires do not have their own sediment placement sites, and although utilization of landfills is being coordinated for cleanouts of the District's fire area facilities, the landfills have their own limitations on accommodating the District's volume of debris. The District thus has begun evaluating new potential sediment sites.

Debris Basin Enlargement Projects – Six of the District's debris basins in downstream areas surrounding the 2009 Station Fire area lacked sufficient capacity to contain the high debris flows from newly burned watersheds. This shortage of capacity caused debris basins to overflow, resulting in flooding and extensive property damage in some foothill communities. To alleviate future threats in this area the permanent enlargement of Mullally, Pinelawn, Pickens, Big Briar, Snover, and Starfall Debris Basins was completed in Fiscal Year 2010-11.

WATER CONSERVATION

Additional Spreading Ground Capacity – The District owns and operates 27 groundwater recharge facilities. These facilities allow stormwater runoff, imported water, and recycled water to be percolated into the aquifers. In the interest of improving the storage and operational capacity, the District is considering acquiring land for new and expanded spreading grounds. The District is in the process of evaluating water conservation potential at various locations and collaborating with cities and water agencies to cost-share on capital improvements. The District recently completed improvements to the Eaton Wash Spreading Grounds and San Gabriel Spreading Grounds Pump Station and Pipeline at a cost of \$8 million. Additional anticipated construction projects under this program include improvements to Pacoima, Live Oak, San Gabriel Canyon, and Big Dalton Spreading Grounds, along with the Walnut Spreading Basin.

Seawater Intrusion Barriers – This program consists of three separate projects designed to prevent saltwater from contaminating underground freshwater supplies. The District has constructed more than 290 recharge wells to inject highly treated water into underground aquifers to form a wall of freshwater under enough pressure to keep out the seawater. The District also utilizes more than 750 observation wells to monitor groundwater purity in coastal areas. The District will complete the condition assessment of existing pipelines, injection wells, and observation wells for the three seawater barriers by July 2012 at a cost of \$4.8 million. The Condition Assessment Projects were co-funded by the Water Replenishment District, West Basin Municipal Water District, Orange County Water District, and the Los Angeles City Department of Water and Power. A total of \$1.1 million will be reimbursed to the District by the various agencies. The \$3.5 million West Coast Basin Barrier Telemetry Project is under construction and will also be completed in 2012. The District also plans to construct additional injection wells and observation wells along the Alamitos Barrier and West Coast Basin Barrier in 2012, at an estimated cost of \$6 million and with anticipated co-funding coming from the other agencies.

WATER QUALITY

System-Wide Water Quality Monitoring – This program involves the development of a District-wide water quality monitoring system that will assist with identifying pollutants flowing through the flood control system. The District proposes using information from this system to assist in the identification of pollutant sources, provide information for municipalities and responsible parties for identifying priority areas, and provide data to establish decision criteria for the implementation of cost-effective pollutant reduction measures such as Best Management Practices (BMP).

INTERNAL AND BUDGETARY CONTROLS

The District has a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not outweigh related benefits and that the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting control evaluations occur within the above framework. We believe that the District's system of internal accounting controls adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions.

In accordance with the provisions of Section 29088 of the Government Code, commonly known as the County Budget Act, and County Code Section 4.12.100, District budgets are adopted on or before August 1 of each year. Budgets are generally adopted for the District's General Fund and Debt Service Fund. For the fiscal year ended June 30, 2011, there was no budget adopted for the Debt Service Fund. Expenditures are controlled at the object level for all budget units within the District, except for capital asset expenditures, which are controlled at the object class level.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

Your Board approves all transfers of appropriations between budget units and transfers exceeding \$250,000 within budget units. Your Board must also approve necessary supplemental appropriations normally financed by unanticipated revenues earned during the year.

In addition to these procedural controls, the District is subject to periodic internal control, operational and management audits performed by the County Auditor-Controller to help ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. The Auditor-Controller also operates a fraud hotline that provides employees and citizens a way to anonymously report perceived fraudulent activities by employees, vendors, contractors, and inspectors. Allegations reported through the hotline are evaluated and investigated by the Auditor-Controller as appropriate.

OTHER INFORMATION

INDEPENDENT AUDIT

The Continuing Disclosure Agreement dated January 1, 2003, by and between the Los Angeles County Flood Control District and The Bank of New York Trust Company, N. A., as Trustee, requires an annual audit of the basic financial statements of the District. Moss, Levy & Hartzheim, LLP, audited the District's basic financial statements for the fiscal year ended June 30, 2011. The auditor's report on the basic financial statements is included in the Financial Section of this report.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the fourth consecutive year the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program, and we will submit it to the GFOA for certification.

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperative efforts of the staff of Public Works' Financial Management Branch; various Public Works line divisions including the Watershed Management, Water Resources, Flood Maintenance, Construction, and Design Divisions, as well as the Public Relations Group; and the Auditor-Controller. The District would also like to thank our independent auditors, Moss, Levy & Hartzheim, LLP, for their professional assistance.

Respectfully submitted,



GAIL FARBER
Director of Public Works

MB:rp

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Enc.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County
Flood Control District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Enen

Executive Director

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS**
(for Period Ending June 30, 2011)

Michael D. Antonovich, Mayor
Fifth District

Gloria Molina
First District

Zev Yaroslavsky
Third District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Sachi A. Hamai
Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Gail Farber
Director of Public Works

William T. Fujioka
Chief Executive Officer

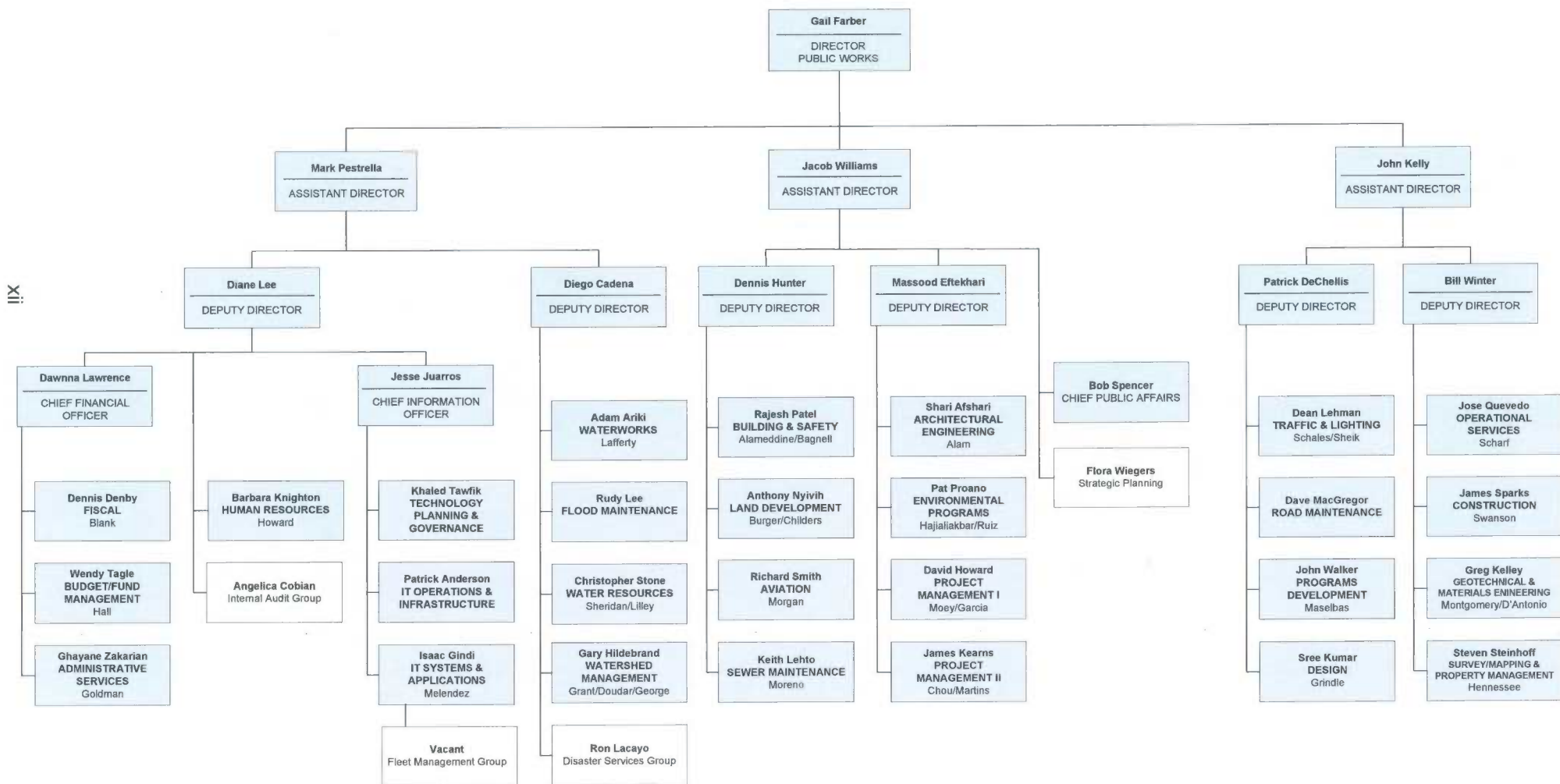
Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Andrea Ordin
County Counsel

LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS

Organization Chart



Revised: 07/27/2011



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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CRAIG A. HARTZHEIM, CPA
HADLEY Y. HUI, CPA

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Los Angeles County Flood Control District as of June 30, 2011, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the notes to the basic financial statements, effective July 1, 2010, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 19, 2011, on our consideration of the Los Angeles County Flood Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the budgetary comparison schedule for the General Fund on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Angeles Flood Control District's basic financial statements. The introductory section, schedule of changes in assets and liabilities – fiduciary funds, and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of changes in assets and liabilities – fiduciary funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 19, 2011

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Los Angeles County Flood Control District's (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with information contained in the letter of transmittal and accompanying basic financial statements, notes, and supplementary information.

The District is a component of a larger governmental unit, the County of Los Angeles (County). We also encourage readers to use the Comprehensive Annual Financial Report of the County of Los Angeles to provide perspective on the government-wide and fund based statements and on how the District is a component of those statements.

FINANCIAL HIGHLIGHTS

At the end of the reporting year, the net assets (total assets less total liabilities) of the District were \$5.936 billion.

During the year, the District's net assets increased by \$30 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of this fiscal year, the District's General Fund reported a total fund balance of \$151 million. During this fiscal year the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). New Fund Balance categories and terminology were introduced by GASB 54, and for this year the General Fund reported restricted fund balance of \$151 million.

The District's capital asset balance net of accumulated depreciation was \$5.847 billion at year-end, and increased by \$28 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes required and other supplementary information in addition to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets may serve as an indicator of improvement or decline of its financial health.

The Statement of Activities shows the change in the District's net assets during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the change take place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will affect future cash flow. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses that have been accrued but not yet paid.

The government-wide financial statements of the District report only one category, governmental activities, as the District has no business-type activities or discretely presented component units for which the District is financially accountable.

Governmental Activities - All of the District's basic services are included here. Property taxes and benefit assessments finance most of the District's flood control activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's significant funds. Funds are accounting devices used to keep track of specific funding sources and spending for particular purposes. The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which focus on resource inflow and outflow and show available balances at year-end. The governmental fund statements provide a detailed short-term view that helps readers determine whether there is an increase or decrease in financial resources available for spending in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using reconciliations on pages 18 and 21 and the notes to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Fiduciary Funds – Assets held in an agency capacity for others and unable to be used to support District activities are known as fiduciary funds. The District's agency funds are reported in this fund category using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information, essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 23 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the District's budget as well as actual revenues and expenditures on a budgetary basis. The RSI is located on pages 41 through 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide data is available and presented under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The District does not have business-type activities to report.

As noted earlier, net assets can serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.936 billion at the close of the most recent fiscal year (see Table 1).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 1

**Summary of Net Assets
As of June 30, 2011 and 2010
(in thousands)**

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 177,274	\$ 189,888
Capital assets	<u>5,846,802</u>	<u>5,818,834</u>
Total assets	<u>\$6,024,076</u>	<u>\$6,008,722</u>
Current and other liabilities	\$ 15,571	\$ 19,581
Long-term liabilities	<u>72,696</u>	<u>83,090</u>
Total liabilities	<u>88,267</u>	<u>102,671</u>
Net assets:		
Invested in capital assets, net of related debt	5,793,007	5,749,224
Restricted	142,703	453
Unrestricted net assets	<u>99</u>	<u>156,374</u>
Total net assets	<u>5,935,809</u>	<u>5,906,051</u>
Total liabilities and net assets	<u>\$6,024,076</u>	<u>\$6,008,722</u>

As indicated above, the District's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The District's capital assets, net of related debt, total \$5.793 billion. This represents its investment in capital assets (e.g., land and easements, and buildings, improvements, infrastructure, and equipment—net of accumulated depreciation), less any outstanding debt related to acquiring those assets. At June 30, 2011, the District reported bonds payable of \$54 million related to capital assets. It should be noted that the resources needed to repay this debt must derive from other sources; the capital assets themselves usually are not utilized to liquidate these liabilities. The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Restricted Net Assets

The District's restricted net assets at year-end were \$142.7 million, primarily for Capital Projects and Public Protection. These asset restrictions are imposed by bond covenants for construction, debt service, and reserves.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Unrestricted Net Assets

The District's unrestricted net assets for Fiscal Year 2010-11 were reduced by \$156.3 million from the previous year due to a shift of unrestricted to restricted resulting from the implementation of GASB 54 and the closer scrutiny that followed. The District's unrestricted net assets are available to meet the District's ongoing financial requirements.

Governmental Activities

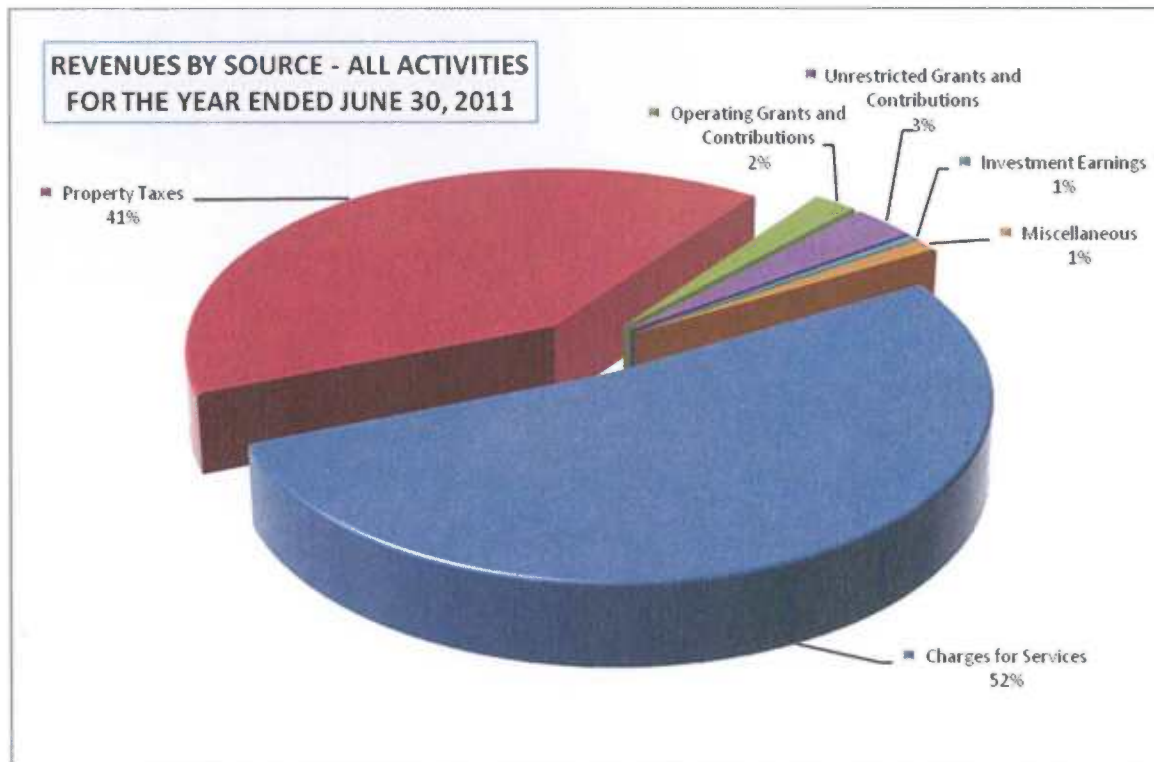
Table 2 indicates the changes in net assets for the governmental activities.

Table 2

**Summary of Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
(in thousands)**

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 123,071	\$ 127,592
Operating grants and contributions	4,929	11,218
General revenues:		
Property taxes	96,214	96,514
Unrestricted grants and contributions	7,205	7,390
Investment earnings	1,008	2,444
Miscellaneous	<u>2,652</u>	<u>1,773</u>
Total revenues	<u>235,079</u>	<u>246,931</u>
Expenses:		
Public protection	201,156	150,866
Contributions to Los Angeles County	1,159	
Interest on long-term debt	<u>3,006</u>	<u>3,744</u>
Total expenses	<u>205,321</u>	<u>154,610</u>
Changes in net assets	29,758	92,321
Net assets – beginning	<u>5,906,051</u>	<u>5,813,730</u>
Net assets – ending	<u>\$5,935,809</u>	<u>\$5,906,051</u>

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



The District's change in net assets was \$63 million less than the prior year. Following are the major factors that contributed to the net asset changes:

- Revenues from governmental activities decreased by \$12 million (5%) from the prior year. The most significant changes in revenue were in the following areas:
 - Charges for services were \$5 million (3.5%) less than the previous year due to a \$2 million reduction in Headquarters lease payments from the County and a \$3 million reduction in services to cities.
 - Operating grants and contributions were \$6 million (56%) less than the previous year due primarily to a large State reimbursement for the Big Tujunga Rehabilitation Project in the prior year.
 - Investment earnings decreased by \$1 million (59%) due to a reduction of the County's treasury pool yield.
 - Property taxes were roughly equal to previous year, indicating recent years' declines in assessed property values have stabilized.
- Governmental activity expenses were \$51 million (33%) higher than the previous year due primarily to increases in public protection spending balanced against a slight decrease in interest on long-term debt for scheduled debt service payments.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure compliance with finance related legal requirements, tracking funding sources and spending for defined purposes.

Types of governmental funds utilized by the District include General (commonly referred to as the Flood Fund), Debt Service, and Capital Projects Fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the District's governmental funds reported a combined fund balance of \$151.7 million, a decrease of \$7.3 million in comparison with the prior fiscal year. Of the total fund balance, \$151.6 million is classified as restricted and \$.1 million as committed.

Revenues in the District's governmental funds, primarily the General Fund, were \$237 million, a decrease of \$11.5 million (5%) from the previous year. The benefit assessment revenue of \$109 million, included as charges for services, was a major source of revenue for the governmental funds. Another significant source of revenue for the governmental funds was property taxes, which were \$96 million. Property taxes decreased \$.5 million (.5%) from the previous year. Together, these two revenue sources accounted for 86% of total revenues for all the governmental funds.

Expenditures for the governmental funds totaled \$243 million, a decrease of \$32 million (12%) from the previous year. For the reporting year, expenditures for governmental activities exceeded revenues by \$6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Table 3 is a summary of reporting year budgetary changes and actual results for the District's General Fund revenues and other financing sources (in thousands).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 3

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Taxes	\$ -	\$ 98,200	\$ 96,828	\$ (1,372)
Intergovernmental revenues		6,489	12,133	5,644
Charges for services		111,384	113,944	2,560
All other revenues		14,241	14,012	(229)
Other sources and transfers		340	110	(230)
Changes in reserves/designations	(20,000)	(15,525)	(11,305)	4,220
Total	\$(20,000)	\$215,129	\$ 225,722	\$ 10,593

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted reserves and designations was a negative \$20 million. The change resulted from a designation increased for sediment removal projects at various reservoirs.

Actual Revenues/Financing Sources Compared With Final Budget Amounts

Actual revenue and other financing sources recognized by the District's General Fund were \$11 million (5%) more than budgeted. The variance resulted primarily from the following:

- An increase in reimbursement from the State of California, Office of Emergency Services (OES) and the Federal Emergency Management Agency (FEMA) for various 2005 Winter Storm projects, and the Marek and Sesnon Fires projects.
- An increase in Benefit Assessment revenue.
- An increase in reimbursements from various contract Cities for catch basin cleanout projects.
- Changes in reserves and designations totaling \$4.2 million were decreased as a result of the cancelation of existing contracts and purchase orders resulting in additional unreserved funds.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Budgetary Summary - Expenditures/Other Financing Uses

Table 4 is a summary of current year budgetary changes and actual results for the District's General Fund expenditures and contingencies (in thousands).

Table 4

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Public protection and capital outlay	\$ (20,000)	\$229,134	\$218,389	\$ 10,745
Contingencies		618		618
Total	\$ (20,000)	\$229,752	\$218,389	\$11,363

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted public protection and capital outlays was a negative \$20 million. The change resulted from a decrease of \$20 million in flood channel repair and rehabilitation projects to fund the designation for sediment removal projects.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amounts

Actual expenditures and other financing uses in the District's General Fund were \$11 million lower than budgeted. The variance primarily resulted from changes in the District's project schedule that occur as a result of various circumstances delaying the award of construction projects. Delays are expected and an inventory of projects is kept ready for replacing projects that remain in planning stages or are otherwise delayed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$5.847 billion (net of depreciation) invested in capital assets including land and easements, buildings and improvements, infrastructure, and equipment (see Table 5).

The District's capital assets (net of depreciation) for the reporting fiscal year increased \$28 million (0.5%) from the prior fiscal year:

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 5

Changes in Capital Assets, Net of Depreciation (in thousands)

	Reporting Year	Prior Year	Increase (Decrease)
Land and easements	\$3,650,266	\$3,631,220	\$ 19,046
Buildings and improvements (B&I)	66,554	68,265	(1,711)
Infrastructure	1,928,398	1,943,651	(15,253)
Equipment	585	377	208
Construction-in-progress - infrastructure	200,999	175,321	25,678
Total	\$5,846,802	\$5,818,834	\$ 27,968

Infrastructure costs were capitalized for projects that remained in progress at the end of the year. The value of construction-in-progress at June 30, 2011, was \$201 million and the value will be classified in the Construction-in-Progress category until the projects are completed. For additional information on Capital Asset activity see Note 5 on page 35.

The \$48 million in infrastructure asset additions (see Note 5) includes projects completed this year under the Construction-in-Progress category. The projects totaled \$31 million and are listed below and on the following page (asset values are prior to depreciation).

Barriers

- Alamitos Barrier Project, Dominguez Gap Barrier Project, and West Coast Basin Barrier Project, Barrier Water Supply Facility Improvement Phase 2 - Cathodic Protection (\$3,496,700)

Catch Basins

- Los Angeles River Trash TMDL Full Compliance Catch Basin Retrofit - Phase 4 (\$1,625,200)

Debris Basins

- Snover Debris Basin Enlargement (\$912,400)

Channel Improvements

- Woodley Avenue Drain Improvement (\$1,003,300)
- Arroyo Seco Channel Repair (\$1,336,700)
- Porretta Channel Repair and Invert Access Ramps (\$815,400)
- Los Cerritos Drain, Unit 2 - Line E (\$1,599,400)

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Pumping Plant Improvements

- Rio Hondo Channel - Ivy Street Pump Station Upgrade and Poplink Drain Pump Station Upgrade (\$1,654,800)
- El Dorado Pump Station Upgrade (\$970,300)

Spreading Ground Improvements

- Hansen Spreading Ground Improvements - Environmental Impact Report (\$9,752,900)
- Rio Hondo Coastal Basin Spreading Ground Inter-basin Repair (\$1,898,900)
- San Dimas Wash - Ben Lomond Spreading Ground Interconnecting Drain (\$2,250,500)
- Eaton Wash Spreading Ground Improvements Project (\$2,837,800)

Storm Drain Improvements

- Consolidated Drain Road Phase 2B (\$690,900)

Debt Administration

At June 30, 2011, the District had \$73 million in long-term debt. The District's long-term debt consisted of \$54 million in bonds and \$19 million in other liabilities. The District's long-term debt decreased by approximately \$10 million (13%) this year as a result of \$16 million in scheduled debt service payments, offset by a \$6 million increase in litigation liability. Specific disclosures related to long-term obligations appear in Notes 6, 8 and 12.

Table 6 indicates changes in the District's long-term debt during the year:

Table 6
Changes in Long-Term Debt (in thousands)

	Current Year	Prior Year	(Increase) Decrease
Capital Construction and Refunding Bonds	\$38,010	\$52,995	\$14,985
Revenue Bonds	15,785	16,615	830
Other Liabilities	18,901	13,480	(5,421)
Total	\$72,696	\$83,090	\$10,394

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Bond Ratings

The District's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
Revenue Bonds	Aa1	AA	AAA

ECONOMIC CONDITIONS AND OUTLOOK

The Board of Supervisors adopted the District's 2011-2012 Budget on June 20, 2011. The Budget was adopted based on the estimated fund balance that would be available at the end of 2010-2011. The Board updated the Budget on October 4, 2011, to reflect the final 2010-2011 fund balances and other pertinent financial information. For the District's General Fund, the 2011-2012 Budget utilized \$22 million of available fund balance, which exceeded the previously estimated fund balance of \$8 million. The additional fund balance of \$14 million was appropriated or designated for flood control infrastructure improvement needs.

The District's financial outlook continues to be affected by slow economic recovery and ongoing budget problems at the State level. These factors are offset, in part, by signs of stability with certain key revenue sources. After experiencing a decline for two consecutive years, the County's assessed property values are reversing their trend. The County Assessor released the Net Local Property Tax Roll for 2011-12, which is 1.36% higher than the previous year. Property tax revenues and benefit assessments are the District's most important sources of funding, and they are vital to ongoing programs and projects. The District continues to seek funding opportunities, as well as partnerships and collaborative efforts, to leverage resources to help meet ever-increasing demands.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide citizens, taxpayers, customers, investors, creditors, and other stakeholders with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803-1331.

Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011 (in thousands)

	GOVERNMENTAL ACTIVITIES
ASSETS	
Pooled cash and investments (Notes 1 and 4)	\$ 148,955
Advances to the County of Los Angeles	6,602
Other investments (Notes 1 and 4)	217
Taxes receivable	15,434
Interest receivable	466
Other receivables	5,600
Capital assets: (Notes 1 and 5)	
Land and easements and construction-in-progress	\$ 3,851,265
Other capital assets, net of accumulated depreciation	1,995,537
Total capital assets	5,846,802
TOTAL ASSETS	6,024,076
LIABILITIES	
Accounts payable	8,232
Accrued interest payable	828
Unearned revenue	6,511
Noncurrent liabilities: (Notes 6, 8 and 12)	
Due within one year	25,477
Due in more than one year	47,219
TOTAL LIABILITIES	88,267
NET ASSETS	
Invested in capital assets, net of related debt	5,793,007
Restricted for:	
Capital projects	65,314
Debt service	56
Public protection	77,333
Unrestricted	99
TOTAL NET ASSETS	\$ 5,935,809

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Public protection	\$ 201,156	\$ 123,071	\$ 4,929	\$ -	\$ (73,156)
Contributions to Los Angeles County	1,159				(1,159)
Interest on long-term debt	3,006				(3,006)
Total	<u>\$ 205,321</u>	<u>\$ 123,071</u>	<u>\$ 4,929</u>	<u>\$ -</u>	<u>(77,321)</u>
General revenues:					
Property taxes					96,214
Grants and contributions not restricted to special programs					7,205
Investment earnings					1,008
Miscellaneous					2,652
Total general revenues					<u>107,079</u>
Change in net assets					29,758
Net assets - July 1, 2010					<u>5,906,051</u>
Net assets - June 30, 2011					<u>\$ 5,935,809</u>

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Pooled cash and investments (Notes 1 and 4)	\$ 148,856	\$ -	\$ 99	\$ 148,955
Advances to the County of Los Angeles	6,602			6,602
Other investments (Notes 1 and 4)		217		217
Taxes receivable	7,806	667		8,473
Interest receivable	466			466
Assessments receivable	6,961			6,961
Other receivables	5,600			5,600
TOTAL ASSETS	\$ 176,291	\$ 884	\$ 99	\$ 177,274
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 8,232	\$ -	\$ -	\$ 8,232
Unearned revenue	16,781	540		17,321
TOTAL LIABILITIES	25,013	540	-	25,553
FUND BALANCES:				
Restricted:				
Capital projects	65,314			65,314
Public protection	85,964			85,964
Debt service		344		344
Committed			99	99
TOTAL FUND BALANCES	151,278	344	99	151,721
TOTAL LIABILITIES AND FUND BALANCES	\$ 176,291	\$ 884	\$ 99	\$ 177,274

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011 (in thousands)

Fund balance of total governmental funds (page 17) \$ 151,721

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets in governmental activities are not current financial
resources and therefore are not reported in governmental funds:

Land and easements	\$ 3,650,266	
Construction-in-progress	200,999	
Buildings and improvements - net	66,554	
Equipment - net	585	
Infrastructure - net	1,928,398	5,846,802

Other long-term assets are not available to pay for current-
period expenditures and are deferred, or not recognized,
in governmental funds:

Unearned revenue	10,810
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Accrued interest payable is not recognized in governmental funds	(828)
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The following long-term liabilities are not due and payable in the
current period and therefore are not reported in the governmental funds:

Bonds payable	(53,795)	
Litigation/self insurance	(18,901)	(72,696)

Net assets of governmental activities (page 15)	\$ 5,935,809
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The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 97,232	\$ -	\$ -	\$ 97,232
Licenses and permits	595			595
Fines, forfeitures, and penalties	1,824			1,824
Interest	1,003	5		1,008
Rents and royalties	7,175			7,175
Intergovernmental revenues:				
Federal	3,642			3,642
State	2,125			2,125
Other	6,366			6,366
Charges for services	113,999			113,999
Miscellaneous	2,620			2,620
TOTAL REVENUES	236,581	5	-	236,586
EXPENDITURES:				
Current public protection:				
Services and supplies	210,730			210,730
Debt service:				
Principal		15,815		15,815
Interest		3,267		3,267
Capital outlay	13,051			13,051
TOTAL EXPENDITURES	223,781	19,082	-	242,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,800	(19,077)	-	(6,277)

The notes to the basic financial statements are an integral part of this statement.

Continued...

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	\$ 70	\$ -	\$ -	\$ 70
Transfers in from County of Los Angeles	40			40
Transfers in	1	19,068		19,069
Transfers out	(19,068)		(1)	(19,069)
Contributions to Los Angeles County	(1,159)			(1,159)
OTHER FINANCING SOURCES (USES)	(20,116)	19,068	(1)	(1,049)
NET CHANGE IN FUND BALANCES	(7,316)	(9)	(1)	(7,326)
FUND BALANCES - BEGINNING	158,594	353	100	159,047
FUND BALANCES - ENDING	\$ 151,278	\$ 344	\$ 99	\$ 151,721

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

Net change in fund balances - total governmental funds (page 20)	\$	(7,326)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 93,240	
Less - current year depreciation expense	<u>(65,194)</u>	28,046

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources, thus, the change in net assets differs from the change in fund balance	(78)
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Revenue timing differences result in more/(less) revenue in Government-wide Statements	(1,539)
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Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	15,815
--	--------

Accrued interest for bonds payable; this is the net change in accrued interest for the current period	261
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Some expenses reported in the accompanying Statement of Activities do not require (or provide) the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in litigation/self insurance		<u>(5,421)</u>
Change in net assets of governmental activities (page 16)	\$	<u>29,758</u>

The notes to the basic financial statements are an integral part of this statement.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011 (in thousands)

	<u>AGENCY FUNDS</u>
ASSETS	
Pooled cash and investments (Notes 1 and 4)	\$ 4,576
TOTAL ASSETS	<u>\$ 4,576</u>
LIABILITIES	
Deposits payable	\$ 4,576
TOTAL LIABILITIES	<u>4,576</u>
TOTAL NET ASSETS	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Los Angeles County Flood Control District's (District) mission is to carry out the objectives of the Los Angeles County Flood Control Act. Its objectives include providing for the control and conservation of flood, storm, and other wastewater, as well as protecting the harbors, waterways, public highways, and properties within the District from damage from flood or storm waters. The District's powers are exercised through the County of Los Angeles Board of Supervisors (Board), which acts as the District's governing body. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining whether to issue bonds authorized by the voters of the District.

Reporting Entity

District management has determined that the Public Works Financing Authority (PWFA) should be included in the basic financial statements of the District as a blended component unit. The PWFA is dependent upon the District for funding. The PWFA is a public agency organized pursuant to a Joint Exercise of Powers Agreement between the District and the County dated May 18, 1993. The PWFA is empowered to finance District capital assets through the issuance of bonds.

A blended component unit is an entity that, because of a close relationship with a primary government, should be blended in the basic financial statements as though it were part of the primary government. The District does not have any other component units that should be discretely presented. For additional information on PWFA, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803.

The District is included as a blended component unit of the County of Los Angeles financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting incorporates all GASB pronouncements.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Assets and Statement of Activities display information about the District with the exclusion of fiduciary activities.

Basis of Accounting

Government-wide financial statements are presented using the economic resource measurement focus and the accrual basis of accounting. Under the economic resource measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Proceeds of long-term debt are recorded as a liability rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of related liabilities rather than as expenditures.

Net assets are classified into the following three categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2011, there were no restricted assets impacted by enabling legislation.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for with a separate set of self balancing accounts comprised of its assets, liabilities, fund balances, revenues, and expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

At June 30, 2011, the District had recorded restricted net assets in the Governmental Activities as follows (in thousands):

Restricted for:	Governmental Activities
Capital Projects	\$ 65,314
Public Protection	77,333
Debt Service	56
Total Restricted	<u>\$ 142,703</u>

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of District Council. Those committed amounts cannot be used for any other purpose unless District Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by District Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by District Council or a District official delegated that authority by District ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2011 are as follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Fund Balances				
Restricted for:				
Capital Projects	\$ 65,314			\$ 65,314
Public Protection	85,964			85,964
Debt Service		344		344
Total Restricted	<u>\$ 151,278</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 151,622</u>
Committed for:				
Capital Projects			99	99
Total Committed			<u>99</u>	<u>99</u>
Total Fund Balances	<u>\$ 151,278</u>	<u>\$ 344</u>	<u>\$ 99</u>	<u>\$ 151,721</u>

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually and in the aggregate for governmental funds.

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary fund categories are presented.

The District reports on the following major governmental funds:

- General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

- Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt, including principal and interest.

- Capital Project Funds

The Capital Project Funds are used to account for financial resources to be used for the acquisition and/or construction of flood control structures financed by long-term debt.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The District also reports on the following funds:

- Fiduciary Funds (Agency Funds)

The Agency Funds are used to account for assets held by the District in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, or other funds. Such funds have no equity accounts since all assets are primarily made up of deposits due to individuals or entities at some future time. The Agency Funds consist of funds for the acquisition of rights-of-way for flood control projects and deposits received, from other governmental entities, private companies, and individuals, as part of an agreement, permit, contractual obligation, or other pre-payment requirement stemming from flood control construction projects or maintenance work.

Basis of Accounting

In the fund financial statements, governmental funds are presented using a modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance operations during the year. Secured and unsecured property taxes and benefit assessments estimated to be collectible in future years are recorded as receivables and deferred revenue. The accrual of property tax revenues is generally limited to the extent that collection takes place within 60 days following the balance sheet date.

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and relevant expenditures are incurred. Revenues not accrued include licenses, permits, and miscellaneous revenues. Expenses are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with the exception of interest on long-term debt, which is recognized when payment is due.

In the fund financial statements, governmental funds are presented using the current financial resource measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Noncurrent portions of long-term receivables due from governmental funds are reported on the District's balance sheet and are offset by deferred revenue. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

As a result of its spending measurement focus, expenditure recognition for governmental fund types excludes transactions involving noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Code and Revenue and Taxation Code. Property is assessed at full cash or market value (with some exceptions). Pursuant to such legislation, the Board levies a property tax to support general operations of the various jurisdictions (ad valorem tax). This tax is limited to one percent (1%) of full cash value of property and collections are distributed in accordance with statutory formulae. The District receives an apportionment from the property tax levy, which is a major source of District revenue.

Property taxes are levied on both real and personal property. Secured property taxes are levied in September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments: the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes delinquent and unpaid as of June 30, are declared to be tax defaulted and subject to redemption penalties, costs, and interest. Properties with delinquent taxes, unpaid after five years, are subject to being sold at public auction, and having the proceeds used to pay the delinquent amounts. Any excess is remitted to the taxpayer, if claimed.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent on August 31, if unpaid. Unsecured property tax receivables are reduced by an amount estimated to be uncollectible, which is based on a five-year historical average collection percentage.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Benefit Assessments

The District, as authorized by the State Government Code, levies an assessment on each parcel of real property within the District, except on property owned by Federal, State, or local government agencies. The assessment, as approved by the Board, is levied in proportion to benefits received and determined on the basis of the proportionate stormwater runoff from each parcel. The purpose of benefit assessments is to cover the cost of providing flood control services, not offset by other available revenues.

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying financial statements reflect the fair value of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in the pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to various funds based on a pro rata share of the fund's average cash and investment balance as provided by Government Code Section 53647.

The fair value of pooled investments is determined annually and based on current market prices. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals rather than market value.

Other Investments

"Other Investments" represents investment and interest earnings related to the debt issuance currently held in trust by the Bank of New York Trust Company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlays are recorded as expenditures of the General and Capital Project Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The County's policy is to record infrastructure costs as services and supplies expenditures in the General Fund and capitalize as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The District's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, and \$100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 5.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	15 to 100 years

Deferred Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets and governmental funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as deferred revenue. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

2. ACCOUNTING CHANGES

As discussed below, the District implemented the requirements of GASB Statement Nos. 54 and 59 during the fiscal year ended June 30, 2011.

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement is effective for financial statements for periods beginning after June 15, 2010. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Note 1.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 59, "Financial Instruments Omnibus." This Statement is effective for financial statements for periods beginning after June 15, 2010. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 did not have an impact to the District's pooled and other investments. The District will apply GASB 59 as appropriate in the future.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

3. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing District functions. Costs related to these employees are billed to the District based on actual time spent providing services to the District. Supply and equipment costs are also billed based on actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the year ended June 30, 2011, the County's billings to the District's General Fund approximated \$109,679,000. Costs associated with shared equipment and inventory funded through the Department of Public Works' Internal Service Fund are recorded in the District's financial statements as expenses under "Public Protection." For the year ended June 30, 2011, this expense from the District's General Fund was \$1,117,000.

The District has numerous transactions with the other funds of the County in order to finance operations, provide services, purchase assets, and apportion property taxes. To the extent that some transactions between the District and these funds were not paid or received by June 30, 2011, the net balances of interfund amounts receivable or payable were converted to cash for financial statement presentation.

On April 16, 1990, the District entered into a cost-sharing agreement with the County, relative to the Public Works headquarters building. Still in effect, the agreement provides for the County to make rental payments to the District in exchange for its occupancy of the building. Furthermore, the County agreed to pay for its proportionate share of the headquarters operating costs. For the year ended June 30, 2011, County rental payments to the District totaled \$3,946,000.

The District issued certificates of participation in 1987 to acquire its headquarters building. These certificates were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 6). The District's management has no intention of selling the headquarters building. However, in the event the headquarters were to be sold, the proceeds of the sale in excess of any outstanding indebtedness would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

4. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, some cash balances of the District are pooled and invested by the County Treasurer but are subject to withdrawal from the pool upon demand. As of June 30, 2011, the District's share of the total pooled cash and investments included in the Statement of Net Assets and Balance Sheet under "pooled cash and investments" was \$148,955,000, which represents approximately 0.62% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Net Assets was \$4,576,000.

Interest earned on pooled investments is deposited monthly and is based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized gain on the District's proportionate share of investments held in the Treasurer's Pool was \$61,000 as of June 30, 2011. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer's Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011.

Other Investments

Short-term investments of Milestone Treasury are managed by the Bank of New York Trust Company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows (in thousands):

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land and easements	\$3,631,220	\$ 19,328	\$ (282)	\$3,650,266
Construction-in-progress – infrastructure	<u>175,321</u>	<u>66,030</u>	<u>(40,352)</u>	<u>200,999</u>
Subtotal	<u>3,806,541</u>	<u>85,358</u>	<u>(40,634)</u>	<u>3,851,265</u>
Capital assets, being depreciated:				
Buildings and improvements	96,613			96,613
Equipment	1,793	298	(205)	1,886
Infrastructure	<u>3,494,851</u>	<u>48,140</u>		<u>3,542,991</u>
Subtotal	<u>3,593,257</u>	<u>48,438</u>	<u>(205)</u>	<u>3,641,490</u>
Less accumulated depreciation:				
Buildings and improvements	28,348	1,711		30,059
Equipment	1,416	90	(205)	1,301
Infrastructure	<u>1,551,200</u>	<u>63,393</u>		<u>1,614,593</u>
Subtotal	<u>1,580,964</u>	<u>65,194</u>	<u>(205)</u>	<u>1,645,953</u>
Total capital assets, being depreciated, net	<u>2,012,293</u>	<u>(16,756)</u>		<u>1,995,537</u>
Total capital assets, net	<u>\$5,818,834</u>	<u>\$ 68,602</u>	<u>\$ (40,634)</u>	<u>\$5,846,802</u>

Depreciation Expense

Governmental activities:

Public protection \$ 65,194

\$ 65,194
Total depreciation expense,
governmental activities

The capital asset adjustment of \$93,240,000 shown in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended June 30, 2011 (see page 21), is detailed as follows (in thousands):

Capital Asset Adjustments:

Addition of Capital Assets, not depreciated	\$ 85,358
Deletion of Capital Assets, not depreciated	(40,634)
Addition of Capital Assets, being depreciated	48,438
Deletion of Capital Assets, being depreciated	(205)
Deletion of Accumulated Depreciation	205
Gain on Sale of Capital Assets	78
Total Capital Assets Adjustments	<u>\$ 93,240</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

6. LONG-TERM OBLIGATIONS

Long-term obligations of the District consist of capital construction and refunding bonds and other liabilities (see also Notes 8 and 12).

Capital Construction and Refunding Bonds

On January 30, 2003, the Los Angeles County Public Works Financing Authority issued \$143,195,000 in refunding revenue bonds, maturing on various dates between 2004 and 2017, with an average interest rate of 3.34%. These bonds were issued to refund the outstanding principal amount of \$147,565,000 of capital construction and refunding bonds issued in 1993 at an interest rate of 5%.

The District's capital construction and refunding bonds outstanding at June 30, 2011, are summarized as follows (in thousands):

\$143,195 issued in 2003; due in annual installments through 2017; average interest at 3.34%	\$38,010
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Aggregate maturity of capital construction and refunding bonds as of June 30, 2011, are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 15,735	\$ 1,849
2013	16,530	1,062
2014	1,355	235
2015	1,405	181
2016	1,465	125
2017	1,520	65
Total	<u>\$ 38,010</u>	<u>\$ 3,517</u>

Revenue Bonds Series 2005A

On July 13, 2005, the Los Angeles County Public Works Financing Authority issued \$20,540,000 in revenue bonds, maturing on various dates between 2006 and 2025, with interest rates ranging from 4% to 4.125%. Bond proceeds were used to finance the design, renovation, improvement, and seismic retrofitting of the District's headquarters building and to pay some costs of issuance incurred in connection with the Series 2005A Bonds. The District's revenue bonds outstanding at June 30, 2011, are summarized as follows (in thousands):

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

6. LONG-TERM OBLIGATIONS-Continued

\$20,540 issued in 2005; due in
annual installments through 2025;
interest at 4.0% to 4.125%

\$15,785

Aggregate maturity of revenue bonds as of June 30, 2011, is as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 865	\$ 636
2013	895	601
2014	935	566
2015	970	528
2016	1,010	489
2017-2021	5,685	1,808
2022-2025	5,425	567
Total	<u>\$ 15,785</u>	<u>\$ 5,195</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2011 (in thousands):

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	\$69,610	\$ -	\$(15,815)	\$ 53,795	\$16,600
Other Liabilities (Notes 8 & 12)	13,480	5,580	(159)	18,901	8,877
Total	<u>\$83,090</u>	<u>\$ 5,580</u>	<u>\$(15,974)</u>	<u>\$ 72,696</u>	<u>\$25,477</u>

7. INTERFUND TRANSACTIONS

Interfund transfers made during the year between the General, Debt Service, and Capital Project Funds were in accordance with long-term debt covenants. Interfund transfers to/from other funds for the year ended June 30, 2011, were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$19,068
Capital Project Funds	General Fund	1
Total		<u>\$19,069</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

8. RISK MANAGEMENT

The District is self-insured and has programs to address general liability. The District's properties are insured under the County's Consolidated Property Insurance Program, which has coverage of up to \$800 million for all risk including earthquakes, \$300 million for flood damages, and \$1 million for pollution cleanup. There were no settlements related to these programs that exceeded insurance coverage in the past three years. The District bears the risk for all loss exposure in excess of insurance coverage. Liabilities for claims are reported when it is probable that a loss has been incurred and the amount of the loss, including amounts incurred but not reported, can be reasonably estimated. The District utilizes actuarial studies, historical data, and individual claim reviews to estimate these liabilities.

As of June 30, 2011, the District's best estimate of these probable judgment liabilities is \$18,901,000. The changes in reported liability since July 1, 2008, were as follows (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End
2008-09	\$3,000	\$10,188	(\$611)	\$12,577
2009-10	\$12,577	\$5,993	(\$5,090)	\$13,480
2010-11	\$13,480	\$5,580	(\$159)	\$18,901

9. PROPOSITION 218

In November 1996, voters approved the "Right to Vote on Taxes Act" (Proposition 218), which limits the District's ability to levy additional property-related benefit assessments without owner approval. In September 1998, the Board approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218. The District's existing benefit assessments are exempt under Proposition 218. However, any future increases to property-related benefit assessments may be subject to property owner approval.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

10. FEDERAL CLEAN WATER ACT

The Federal Clean Water Act (CWA) continues to have a significant impact on the District, although other funding sources, primarily the County of Los Angeles General Fund, have eased some of the impact. As a Permittee under the Los Angeles Municipal Stormwater NPDES Permit (Permit), which is mandated by the CWA, the District continues to:

- Implement programs to minimize urban and stormwater runoff pollution.
- Conduct water quality monitoring.
- Conduct scientific studies to better understand pollutant sources and the effectiveness of management practices.

The District continues to work with stakeholders to find successful and cost-effective solutions to comply with Total Maximum Daily Load (TMDL) regulations. In accordance with the CWA, the United States Environmental Protection Agency promulgates TMDLs to restore and protect the health of the nation's surface water bodies when existing pollution control programs do not attain water quality standards. A TMDL is simply defined as the amount of a pollutant that a water body can receive while meeting water quality standards and an allocation to various sources. Nearly 30 TMDLs have been adopted in Los Angeles County since 2000. The District continues to collaborate with its municipal partners to keep pollutants out of the flood control system. At the direction of the County's Board of Supervisors, the District is exploring a countywide Water Quality Funding Initiative that if approved by voters, would implement a property-based storm drainage fee for clean water that can be leveraged to obtain Federal and State funding.

11. COMMITMENTS AND CONTINGENCIES

Propositions 1E - The Disaster Preparedness and Flood Prevention Bond Act of 2006 and 84 – The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

On November 7, 2006, voters approved infrastructure ballot measures for California State Propositions 1E and 84 which provide for the State to sell bonds to finance projects relating to enhancing flood protection and improving stormwater runoff quality. Both of these measures have potential to provide considerable funding to the District.

To date, the Flood Control District has won \$20 million in grant funding from Proposition 1E for its Santa Anita Dam Seismic Remediation and Spillway project, and the first round of funding for Proposition 84 has been completed, of which 25% of the funding was issued. Although the District received little funding from the first round, it expects to receive funding from the remaining 75%, which is expected to be issued over the next two years.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued
JUNE 30, 2011

12. POLLUTION REMEDIATION

The District implemented GASB Statement No. 49 in the fiscal year ended June 30, 2009. GASB Statement No. 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The District is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the District's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notify the District of the need for remedial action. However, the District also conducts its own environmental monitoring to identify pollution sites and matters requiring further investigation and possible remediation. Once the District is aware of a condition, it begins monitoring, assessment, testing and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

Previously identified types of pollution include leaking underground storage tanks, and contamination of water, groundwater and soil. Remediation efforts include remediation and feasibility studies, source identification studies, site testing, sampling and analysis, groundwater cleanup, and removal of underground storage tanks.

As of June 30, 2011, the District's estimated pollution remediation obligations totaled \$10.18 million. These obligations were all associated with the District's government-wide governmental activities. The estimated liabilities were determined by project managers, based on historical cost information for projects of similar sizes, types and complexity, measured at their current value. In subsequent periods, the District will adjust estimated obligations when new information indicates such changes are required. At this time, the District has determined there are no estimated recoveries that would reduce obligations.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

	GENERAL FUND			VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	
REVENUES:				
Taxes	\$ 98,200	\$ 98,200	\$ 96,828	\$ (1,372)
Licenses and permits	630	630	595	(35)
Fines, forfeitures, and penalties	1,500	1,500	1,824	324
Revenue from use of money and property:				
Investment income	3,001	3,001	1,824	(1,177)
Rents and concessions	7,275	7,275	6,377	(898)
Royalties	400	400	798	398
Intergovernmental revenues:				
Federal			3,642	3,642
State	841	841	2,125	1,284
Other	5,648	5,648	6,366	718
Charges for services	111,384	111,384	113,944	2,560
Miscellaneous	1,435	1,435	2,594	1,159
TOTAL REVENUES	230,314	230,314	236,917	6,603
EXPENDITURES:				
Current - Public protection:				
Services and supplies	173,739	179,406	175,553	3,853
Other charges	19,942	19,942	19,639	303
Capital assets	52,865	26,422	21,259	5,163
Capital outlay	5	781	779	2
TOTAL EXPENDITURES	246,551	226,551	217,230	9,321
REVENUES OVER/(UNDER) EXPENDITURES	(16,237)	3,763	19,687	15,924
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	300	300	70	(230)
Transfers in	40	40	40	
Transfers out	(2,583)	(2,583)	(1,159)	1,424
Appropriation for contingencies	(618)	(618)		618
Changes in reserves and designations	4,475	(15,525)	(11,305)	4,220
OTHER FINANCING SOURCES (USES)-NET	1,614	(18,386)	(12,354)	6,032
NET CHANGE IN FUND BALANCE	(14,623)	(14,623)	7,333	21,956
FUND BALANCE, JULY 1, 2010	14,623	14,623	14,623	
FUND BALANCE, JUNE 30, 2011	\$ -	\$ -	\$ 21,956	\$ 21,956

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29088 of the Government Code, commonly known as the County Budget Act, and County Code Section 4.12.100, District budgets are adopted on or before August 1 of each year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). For the fiscal year ended June 30, 2011, there was no budget adopted for the Debt Service Fund. Note 2 indicates specific differences between the two bases of accounting as of June 30, 2011. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District recognizes them as uses of budgetary fund balance. Designations subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- Under the budgetary basis, encumbrances and other reserves are also recorded as other financing uses when established. For encumbrances, this occurs at the time contracts and/or purchase agreements are entered into. Under the U.S. GAAP basis, these obligations are only recognized when goods are received or services are rendered. Other reserves are also recognized as other financing uses to indicate that certain assets are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the U.S. GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- Under the U.S. GAAP basis, investment income includes the effect of changes in the fair value of investment. Under the budgetary basis, investment income is recognized prior to the effect of such fair value changes.

Expenditures are controlled at the object level (e.g., Permanent Employee Salaries, Postage, Fuel, etc.) for all District budgets, except for capital asset expenditures, which are controlled at the higher object class level (e.g., Salaries & Wages, Office Expense, Automotive Expense, etc.). Expenditures did not exceed the related appropriations within any fund at June 30, 2011.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-Continued

1. BUDGETARY DATA-Continued

The legal level of budgetary control, the level at which management cannot overspend without approval from the County Board of Supervisors, is \$250,000. For further information please refer to the County of Los Angeles 2011-12 Final Budget, pages 529-530.

Encumbrances are set-aside appropriations related to purchase orders and/or contracts for goods or services and are recorded to assure budgetary control and accountability in the General Fund and Capital Project Funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately expected to result if the unperformed purchase orders or contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures (see Note 2).

Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND U.S. GAAP

The District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund has been prepared on the budgetary basis of accounting which is different from U.S. GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary U.S. GAAP basis fund balances as of June 30, 2011 (in thousands):

	General Fund
Fund Balance – Budgetary Basis (page 41)	\$ 21,956
Reserves and Designations	<u>140,435</u>
Subtotal	162,391
Adjustments:	
Change in Accounts Payable Accruals	(6,280)
Change in Revenue Accruals	<u>(4,833)</u>
Fund Balance – U.S. GAAP Basis (page 20)	<u>\$151,278</u>

Other Supplementary Information

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (in thousands)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 4,139	\$ 6,599	\$ (6,162)	\$ 4,576
TOTAL ASSETS	<u>\$ 4,139</u>	<u>\$ 6,599</u>	<u>\$ (6,162)</u>	<u>\$ 4,576</u>
LIABILITIES				
Deposits payable	\$ (4,139)	\$ (3,865)	\$ 3,428	\$ (4,576)
TOTAL LIABILITIES	<u>\$ (4,139)</u>	<u>\$ (3,865)</u>	<u>\$ 3,428</u>	<u>\$ (4,576)</u>

STATISTICAL SECTION

The information presented in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the reader of the comprehensive annual financial report. The objective of this statistical section information is to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the District's overall financial health.

CONTENTS	<u>PAGE</u>
FINANCIAL TRENDS	45
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY	51
These schedules contain trend information to help the reader assess the District's most significant local revenue source, which is property taxes.	
DEBT CAPACITY	55
These schedules present information to help the reader to assess the District's ability to cover current levels of outstanding debt and the District's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	61
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION	63
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it conducts.	

Sources: Unless otherwise noted, the information in these schedules derives from the comprehensive annual financial reports for the applicable year.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NET ASSETS BY CATEGORY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Governmental activities (2)											
Invested in capital assets, net of related debt (deficit)	\$	(85,127)	\$ (33,487)	\$ 16,000	\$ 67,884	\$ 5,461,839	\$ 5,515,779	\$ 5,552,586	\$ 5,632,733	\$ 5,749,224	\$ 5,793,007
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176	503	433	453	
Capital project											65,314
Debt service											56
Public protection											77,333
Unrestricted (4)		126,159	121,973	122,965	122,695	138,795	150,862	168,507	184,559	156,374	99
Total government net assets		43,462	93,255	142,278	192,279	5,618,393	5,668,817	5,721,596	5,817,725	5,906,051	5,935,809
Primary government											
Invested in capital assets, net of related debt (deficit)		(85,127)	(33,487)	16,000	67,884	5,461,839	5,515,779	5,552,586	5,632,733	5,749,224	5,793,007
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176	503	433	453	
Capital project											65,314
Debt service											56
Public protection											77,333
Unrestricted (4)		126,159	121,973	122,965	122,695	138,795	150,862	168,507	184,559	156,374	99
Total primary government net assets	\$	43,462	\$ 93,255	\$ 142,278	\$ 192,279	\$ 5,618,393	\$ 5,668,817	\$ 5,721,596	\$ 5,817,725	\$ 5,906,051	\$ 5,935,809

Notes:

- (1) Fiscal year 2005-06 and subsequent years reflect retroactive reporting of capital assets in accordance with GASB 34.
(2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
(3) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.
(4) Fiscal Year 2010-11 reflects a change to restricted and unrestricted net assets as a result of implementing GASB 54 and the closer scrutiny that followed.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)
 (accrual basis of accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Expenses										
Governmental activities (1)										
General government										
Public protection	\$ 150,222	\$ 149,353	\$ 150,623	\$ 147,942	\$ 163,535	\$ 180,993	\$ 208,861	\$ 149,882	\$ 150,866	\$ 201,156
Contribution to Los Angeles County										1,159
Interest on long-term debt	8,979	9,293	6,199	5,534	5,788	5,554	4,933	4,379	3,744	3,006
Total governmental activities expenses	159,201	158,646	156,822	153,476	169,323	186,547	213,794	154,261	154,610	205,321
Total primary government expenses	159,201	158,646	156,822	153,476	169,323	186,547	213,794	154,261	154,610	205,321
Program Revenues										
Governmental activities										
Charges for services										
Benefit Assessments	107,556	108,685	109,028	109,544	109,390	109,136	108,688	110,653	107,295	109,430
Other charges for services	8,592	14,368	11,538	9,164	12,104	12,683	21,090	26,632	20,297	13,641
Subtotal governmental activities charges for services	116,148	123,053	120,566	118,708	121,494	121,819	129,778	137,285	127,592	123,071
Operating grants and contributions	1,817	1,194	5,600	4,931	7,125	12,085	8,630	9,757	11,218	4,929
Capital grants and contributions	204	1,448	533	926	4,172	1,785	1,797			
Total governmental activities program revenue	118,169	125,695	126,699	124,565	132,791	135,689	140,205	147,042	138,810	128,000
Total primary government revenues	118,169	125,695	126,699	124,565	132,791	135,689	140,205	147,042	138,810	128,000
Net (expense)/revenue:										
Government activities	(41,032)	(32,951)	(30,123)	(28,911)	(36,532)	(50,858)	(73,589)	(7,219)	(15,800)	(77,321)
Total primary government net expenses	\$ (41,032)	\$ (32,951)	\$ (30,123)	\$ (28,911)	\$ (36,532)	\$ (50,858)	\$ (73,589)	\$ (7,219)	\$ (15,800)	\$ (77,321)

Continued..

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED) - Continued
 LAST TEN FISCAL YEARS (in thousands)
 (accrual basis of accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Revenues and Other Changes in Net Assets										
Governmental activities (1)										
Property taxes	\$ 65,575	\$ 69,518	\$ 72,723	\$ 70,937	\$ 76,423	\$ 88,858	\$ 95,272	\$ 100,136	\$ 96,514	\$ 96,214
Unrestricted grants and contributions	2,795	3,042	3,197	2,984	3,443	5,653	5,589	6,978	7,390	7,205
Investment earnings	4,574	2,183	957	2,582	4,961	6,613	6,699	4,762	2,444	1,008
Miscellaneous	1,063	8,001	2,269	2,409	1,429	158	1,332	1,597	1,773	2,652
Subtotal governmental activities	<u>74,007</u>	<u>82,744</u>	<u>79,146</u>	<u>78,912</u>	<u>86,256</u>	<u>101,282</u>	<u>108,892</u>	<u>113,473</u>	<u>108,121</u>	<u>107,079</u>
Total primary government	<u>74,007</u>	<u>82,744</u>	<u>79,146</u>	<u>78,912</u>	<u>86,256</u>	<u>101,282</u>	<u>108,892</u>	<u>113,473</u>	<u>108,121</u>	<u>107,079</u>
 Changes in Net Assets										
Government activities	32,975	49,793	49,023	50,001	49,724	50,424	35,303	106,254	92,321	29,758
Total primary government	<u>\$ 32,975</u>	<u>\$ 49,793</u>	<u>\$ 49,023</u>	<u>\$ 50,001</u>	<u>\$ 49,724</u>	<u>\$ 50,424</u>	<u>\$ 35,303</u>	<u>\$ 106,254</u>	<u>\$ 92,321</u>	<u>\$ 29,758</u>

Notes:

(1) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (2)
General Fund										
Reserved for:										
Encumbrances	\$ 88,300	\$ 85,409	\$ 87,511	\$ 91,506	\$ 104,637	\$ 100,464	\$ 112,849	\$ 116,125	\$ 98,980	\$ -
Special purposes	3,011	3,008	3,008	3,008	3,011	3,011	12,011	3,010	3,011	
Unreserved, designated for:										
Flood control projects	20,307	19,478	19,478	18,099	26,049	33,814	13,314	49,789	49,789	
Unreserved, undesignated, reported in:										
General Fund	5,769	7,153	7,748	6,834	(260)	6,091	20,123	15,759	6,814	
Restricted										
Capital projects										65,314
Public protection										85,964
Subtotal General Fund	117,387	115,048	117,745	119,447	133,437	143,380	158,297	184,683	158,594	151,278
All Other governmental Funds (1)										
Reserved for:										
Debt service	4,934	4,654	3,270	1,603	836	663	51	59	353	
Unreserved, undesignated, reported in:										
Capital projects funds	117	220	101	116	15,147	1,516	452	374	100	
Restricted										344
Committed										99
Subtotal all other government funds	5,051	4,874	3,371	1,719	15,983	2,179	503	433	453	443
Total governmental fund balance	\$ 122,438	\$ 119,922	\$ 121,116	\$ 121,166	\$ 149,420	\$ 145,559	\$ 158,800	\$ 185,116	\$ 159,047	\$ 151,721

Notes:

- (1) "All Other Governmental Funds" consist of the Debt Service and Capital Projects Funds.
(2) The County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned. The governmental funds are reported in the new required format beginning FY2010-11.

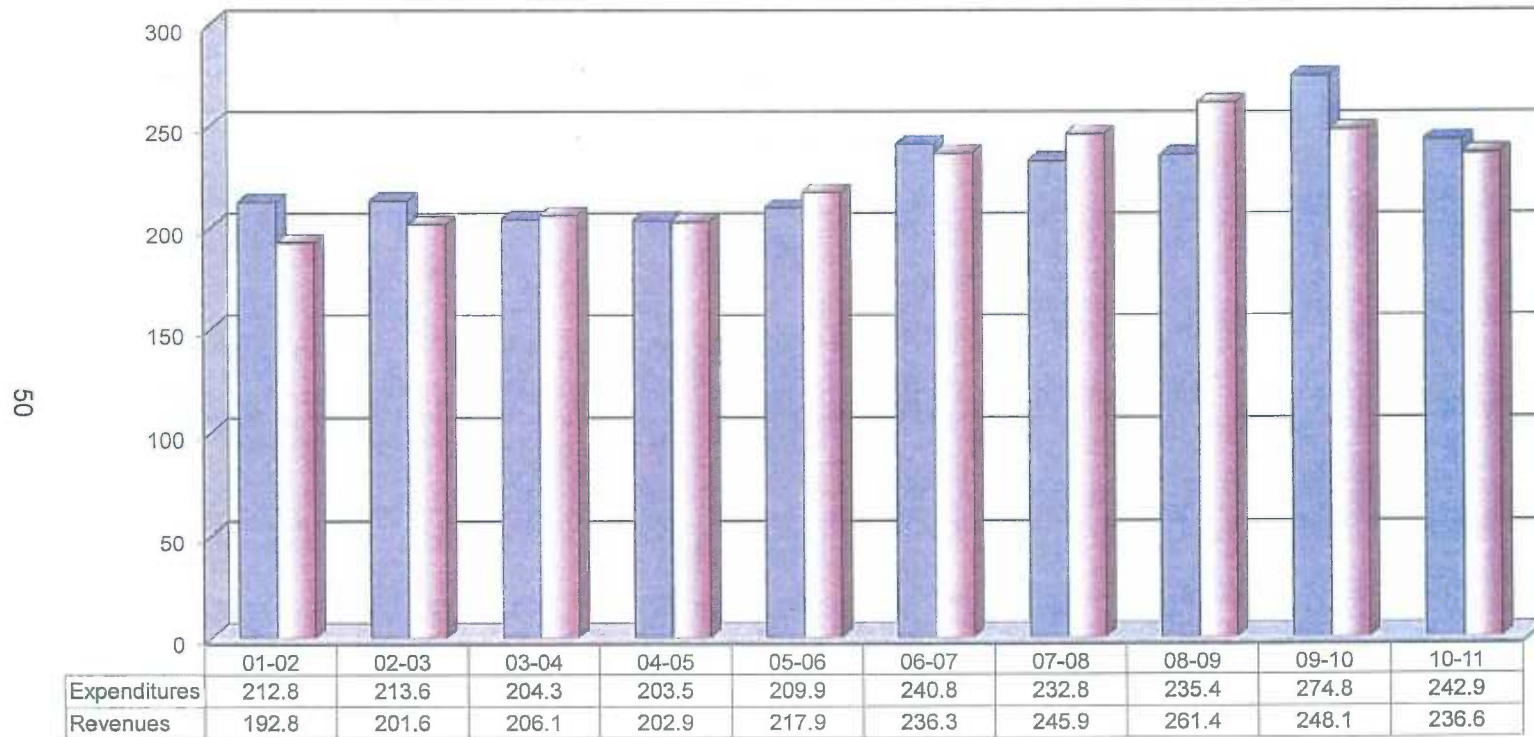
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Revenues (by source)										
Taxes	\$ 66,315	\$ 69,505	\$ 72,689	\$ 70,994	\$ 75,397	\$ 88,605	\$ 93,157	\$ 100,611	\$ 97,690	\$ 97,232
Licenses, permits, and franchises	731	535	231	308	394	514	741	606	593	595
Fines, forfeitures, and penalties	1,518	1,681	2,802	1,226	1,196	1,060	1,440	1,913	2,215	1,824
Revenues from use of money and property										
Interest	4,574	2,183	957	2,582	4,961	6,613	6,700	4,762	2,444	1,008
Rents and royalties	6,248	6,133	6,802	5,191	7,028	7,301	7,797	8,281	8,425	7,175
Intergovernmental revenues:										
Federal	3,313	2,347	5,240	4,065	4,095	5,375	6,086	2,086	11,108	3,642
State	1,502	1,106	1,695	2,633	8,036	9,324	3,397	8,515	960	2,125
Other	1	2,232	2,396	2,142	2,609	4,824	4,747	6,134	6,539	6,366
Charges for services	107,552	115,003	111,697	112,653	113,296	112,524	118,798	126,963	116,615	113,999
Miscellaneous	1,061	855	1,554	1,128	869	187	3,038	1,566	1,482	2,620
Total Revenues	192,815	201,580	206,063	202,922	217,881	236,327	245,901	261,437	248,071	236,586
Expenditures (by function)										
Current:										
Public protection	185,722	176,503	179,170	179,364	179,100	205,119	188,994	215,492	245,303	210,730
Debt Services										
Principal	16,775	24,026	16,205	16,065	14,580	14,280	14,350	14,505	15,095	15,815
Interest	9,366	9,585	6,667	5,676	5,796	5,560	5,112	4,576	3,983	3,267
Capital leases										
Capital outlay	950	3,535	2,228	2,439	10,422	15,828	24,379	861	10,456	13,051
Total Expenditures	212,813	213,649	204,270	203,544	209,898	240,787	232,835	235,434	274,837	242,863
Excess of Revenues over (under) Expenditures	(19,998)	(12,069)	1,793	(622)	7,983	(4,460)	13,066	26,003	(26,766)	(6,277)
Other Financing Sources (Uses)										
Sales of capital assets	206	243	708	1,281	757	599	175	281	368	70
Transfers in from County of Los Angeles								32	328	40
Transfers in	18,429	18,482	17,587	17,582	39,517	19,050	19,327	19,078	19,353	19,069
Transfers out	(18,429)	(18,482)	(17,587)	(17,582)	(39,517)	(19,050)	(19,327)	(19,078)	(19,353)	(19,069)
Proceeds of long-term debt					20,540					
Contribution to Los Angeles County	(1,551)	(903)	(1,306)	(609)	(1,026)					(1,159)
Proceeds of refunding bonds		143,195								
Payment to refunded bonds escrow agent		(143,195)								
Bond premium proceeds		8,513								
Miscellaneous		1,700								
Total other financing sources (uses)	(1,345)	9,553	(598)	672	20,271	599	175	313	696	(1,049)
Net Change in fund balance	\$ (21,343)	\$ (2,516)	\$ 1,195	\$ 50	\$ 28,254	\$ (3,861)	\$ 13,241	\$ 26,316	\$ (26,070)	\$ (7,326)
Debt service as a percentage of noncapital expenditures(1)	15.16%	18.77%	13.72%	13.10%	16.51%	13.48%	12.90%	18.25%	18.42%	12.75%

Notes:

(1) The debt service calculations make use of the capital outlay expenditure balances as presented on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT **Governmental Funds Expenditures and Revenues** **Last 10 Fiscal Years**



In Millions of Dollars



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) (1) & (2)
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(3) Secured	(4) Unsecured	(5) Unitary	(6) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
2001 - 2002	\$ 592,345,254	\$ 44,394,254	\$ 12,425,635	\$ (26,803,046)	\$ 622,362,097	1.00000%
2002 - 2003	632,815,105	43,785,523	12,357,025	(28,702,612)	660,255,041	1.00000%
2003 - 2004	683,216,372	44,745,197	11,587,736	(29,937,047)	709,612,258	1.00000%
2004 - 2005	738,658,957	43,898,983	10,648,846	(31,851,689)	761,355,097	1.00000%
2005 - 2006	813,276,803	43,964,997	10,718,105	(32,058,237)	835,901,668	1.00000%
2006 - 2007	905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.00000%
2007 - 2008	990,301,135	48,543,926	11,158,201	(40,091,971)	1,009,911,291	1.00000%
2008 - 2009	1,057,718,427	52,279,248	12,298,465	(41,418,999)	1,080,877,141	1.00000%
2009 - 2010	1,055,807,331	53,193,853	11,891,981	(45,881,461)	1,075,011,704	1.00000%
2010 - 2011	1,040,789,623	49,744,044	12,120,596	(47,184,173)	1,055,470,090	1.00000%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop. 13), the County does not track the estimated actual value of all County properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (3) Secured property is generally real property and is defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (4) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (5) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization.
- (6) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source:

Auditor-Controller, County of Los Angeles Taxpayers' Guide.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR TAX RATE AREA #4 (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	<u>County Direct Rates</u>		<u>Overlapping Rates</u>				<u>Total Rates</u>
	<u>Los Angeles General</u>	<u>Los Angeles County Detention Facilities (1)</u>	<u>Flood Control Districts (1)</u>	<u>Los Angeles City Tax District No. 1</u>	<u>School Districts</u>	<u>Metropolitan Water District</u>	
2001 - 2002	1.00000	0.001128	0.001073	0.040051	0.064125	0.007700	1.114077
2002 - 2003	1.00000	0.001033	0.000881	0.042312	0.051571	0.006700	1.102497
2003 - 2004	1.00000	0.000992	0.000462	0.050574	0.097002	0.006100	1.155130
2004 - 2005	1.00000	0.000923	0.000245	0.055733	0.106937	0.005800	1.169638
2005 - 2006	1.00000	0.000795	0.000049	0.051289	0.098634	0.005200	1.155967
2006 - 2007	1.00000	0.000663	0.000052	0.045354	0.128276	0.004700	1.179045
2007 - 2008	1.00000	0.000000	0.000000	0.038051	0.132136	0.004500	1.174687
2008 - 2009	1.00000	0.000000	0.000000	0.038541	0.146897	0.004300	1.189738
2009 - 2010	1.00000	0.000000	0.000000	0.041220	0.174921	0.004300	1.220441
2010 - 2011	1.00000	0.000000	0.000000	0.038895	0.227264	0.003700	1.269859

Notes:

- (1) The Secured Tax Rate and Ratios Report no longer includes the Detention Facilities and Flood Control Districts rates, as these bonds have matured.
- (A) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (B) Article XIII A (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978. All other rates are calculated per \$100 of assessed value.
- (C) An exception to the 1% limit was provided by Proposition 46 that was approved in June 1986 re-establishing authority of local governments to issue general obligation bonds for certain purposes.
- (D) The County is divided into 11,769 tax rate areas which are unique combinations of various jurisdictions servicing a specific geographic area.

Source:

Secured Tax Rate and Ratios Report from the County of Los Angeles Auditor-Controller, Tax Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED) (1)
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2011 AND JUNE 30, 2002 (in thousands)

Taxpayer	2011		(2)	2002		(2)
	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value
Southern California Edison Co.	\$ 4,573,638	1	0.46%	\$ 3,004,140	1	0.52%
Douglas Emmett Residential	3,310,574	2	0.33%	1,375,100	7	0.24%
BP West Coast /Arco Terminal Svc	2,798,203	3	0.28%			
Maguire Properties	2,543,077	4	0.25%			
Chevron USA Inc./Texaco	2,127,436	5	0.21%	1,989,228	4	0.34%
Trizechahn Colony Square GP LLC	1,858,932	6	0.19%			
Exxon Mobil Corporation	1,722,277	7	0.17%	1,484,553	6	0.26%
AT&T/Pacific Bell Telephone Co.	1,718,650	8	0.17%	2,896,794	2	0.50%
Verizon/MCI Communication Svc	1,655,076	9	0.16%	1,564,987	5	0.27%
Southern California Gas Co.	1,558,240	10	0.15%	1,296,739	8	0.22%
Atlantic Richfield Co.				2,448,254	3	0.42%
Arden Realty LTD Partnership				1,175,572	9	0.20%
Tosco Corporation				1,012,633	10	0.18%
Total	\$ 23,866,103		2.37%	\$ 18,248,000		3.15%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$1,005,726,046 as of June 30, 2011 is based on Secured \$1,040,789,623 plus Unitary \$12,120,596 less exemptions of \$47,184,173. Total assessed value, \$577,967,843 as of June 30, 2002 is based on Secured \$592,345,254 plus Unitary \$12,425,635 less exemptions of \$26,803,046 (in thousands).

Source:

County of Los Angeles Treasurer and Tax Collector.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collections Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (1)</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001 - 2002	\$ 64,247,912	\$ 62,189,804	96.8%	\$ 1,899,677	\$ 64,089,481	99.8%
2002 - 2003	67,717,809	65,555,310	96.8%	1,624,946	67,180,256	99.2%
2003 - 2004	69,320,656	67,488,837	97.4%	1,881,330	69,370,167	100.0%
2004 - 2005	72,588,020	70,524,175	97.2%	1,692,673	72,216,848	99.5%
2005 - 2006	76,988,018	74,737,311	97.1%	1,448,958	76,186,269	99.0%
2006 - 2007	84,892,868	81,430,786	95.9%	1,510,369	82,941,155	97.7%
2007 - 2008	92,174,252	87,339,670	94.8%	2,177,696	89,517,366	97.1%
2008 - 2009	98,388,453	93,632,370	95.2%	4,124,049	97,756,419	99.4%
2009 - 2010	97,457,266	94,129,015	96.6%	4,142,047	98,271,062	100.0%
2010 - 2011	96,612,618	94,229,540	97.5%	3,293,800	97,523,340	100.0%

Note:

(1) Reflects property taxes levied in prior years but collected in the current year.

Source:

Tax ledgers for the Flood Control District provided by the Auditor-Controller Accounting Division, Property Tax Section.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands, except per capita)

Governmental Activities

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Accreted Interest</u>	<u>Unamortized Bond Premiums</u>	<u>Unamortized Loss on Advance Debt Refund</u>	<u>Pension Bonds Payable</u>	<u>Capital Leases</u>	<u>Total Primary Government (1)</u>	<u>Percentage of Assessed Value (2)</u>	<u>Per Capita (3)</u>
2001 - 2002	\$ 16,975	\$ 158,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,110	0.028%	\$ 17.82
2002 - 2003	10,955	143,195	-	-	-	-	-	154,150	0.023%	15.45
2003 - 2004	6,155	131,790	-	-	-	-	-	137,945	0.019%	13.65
2004 - 2005	2,265	119,615	-	-	-	-	-	121,880	0.016%	11.92
2005 - 2006	1,080	126,760	-	-	-	-	-	127,840	0.015%	12.48
2006 - 2007	370	113,190	-	-	-	-	-	113,560	0.012%	10.99
2007 - 2008	0	99,210	-	-	-	-	-	99,210	0.010%	9.57
2008 - 2009	0	84,705	-	-	-	-	-	84,705	0.008%	8.15
2009 - 2010	0	69,610	-	-	-	-	-	69,610	0.006%	6.67
2010 - 2011	0	53,795	-	-	-	-	-	53,795	0.005%	5.10

Notes:

- (1) Details regarding the Flood Control District's outstanding debt can be found in the Basic Notes to the Financial Statements.
- (2) See the "Demographic and Economic Statistics" schedule for population figures.
- (3) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

Source:

Los Angeles County Flood Control District Financial Statements from Fiscal Year 2001-02 to Fiscal Year 2010-11.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF NET GENERAL BONDED DEBT (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands except ratio and per capita)

Fiscal Year	Population (1) & (2)	Assessed Value (1) & (2)	General Bonded Debt (3)	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
2001-02	9,825	\$ 622,362,097	\$ 16,975	0.000027	1.7277
2002-03	9,979	660,255,041	10,955	0.000017	1.0978
2003-04	10,103	709,612,258	6,155	0.000009	0.6092
2004-05	10,226	761,355,097	2,265	0.000003	0.2215
2005-06	10,246	835,901,668	1,080	0.000001	0.1054
2006-07	10,332	925,514,924	370	0.000000	0.0358
2007-08	10,364	1,009,911,291	0	0.000000	0.0000
2008-09	10,393	1,080,877,141	0	0.000000	0.0000
2009-10	10,441	1,075,011,704	0	0.000000	0.0000
2010- 11	10,557	1,055,470,090	0	0.000000	0.0000

Notes:

- (1) See "Demographic and Economic Statistics" table for population and "Revenue Capacity" table for assessed value.
- (2) This information represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (3) Long-term general bonded debt outstanding included Detention Facilities and Flood Control general obligation bonds. The Detention Facilities matured on June 1, 2007 and the Flood Control bonds matured on November 1, 2007.

Source:

Los Angeles Economic Development Corporation Economic Forecast: website:www.laedc.com

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
JUNE 30, 2011

2010-11 Net Assessed Valuation	\$	1,055,470,089,596
Redevelopment Incremental Valuation		137,261,121,657
Full Cash Value (2010-11)	\$	918,208,967,939 (1)
Population - (2011)		10,557,300 (2)

DIRECT TAX AND ASSESSMENT DEBT:

Los Angeles County Flood Control District	100	\$	53,795,000
Subtotal Direct Tax and Assessment Debt		\$	53,795,000

OVERLAPPING TAX AND ASSESSMENT DEBT:

Metropolitan Water District	47.648		108,480,202
Los Angeles Community College District	100		3,536,745,000
Other Community College Districts	Various (3)		1,947,247,115
Arcadia Unified School District	100		170,954,371
Beverly Hills Unified School District	100		185,926,849
Glendale Unified School District	100		123,225,000
Long Beach Unified School District	100		491,060,606
Los Angeles Unified School District	100		11,596,250,000
Pasadena Unified School District	100		289,575,000
Pomona Unified School District	100		165,103,658
Santa Monica-Malibu Unified School District	100		229,595,034
Torrance Unified School District	100		178,908,540
Other Unified School Districts	Various (3)		2,684,966,299
High School and School Districts	Various (3)		1,331,665,422
City of Los Angeles	100		1,255,830,000
City of Los Angeles Special Tax Lease Revenue Bonds	100		58,010,000
City of Industry	100		156,770,000
Other Cities	100		80,480,000
Special Districts	100		6,520,000
Community Facilities Districts	100		815,343,527
Los Angeles County Regional Park & Open Space Assessment District	100		197,285,000 (4)
1915 Act and Benefit Assessment Bonds - Estimate	100		153,707,106
Subtotal Overlapping Tax and Assessment Debt		\$	25,763,648,729
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$	25,817,443,729

DIRECT GENERAL FUND OBLIGATION DEBT:

Los Angeles County General Fund Obligations	100	\$	1,506,737,755 (5)
Los Angeles County Pension Obligations	100		118,486,192
Subtotal Direct General Fund Obligation Debt		\$	1,625,223,947

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Los Angeles County Office of Education Certificates of Participation		\$	12,204,890
Community College District Certificate of Participation			74,152,000
Baldwin Park Unified School District Certificates of Participation			53,505,000
Compton Unified School District Certificates of Participation			30,920,000
Los Angeles Unified School District Certificates of Participation			492,042,567
Pomona Unified School District Certificates of Participation	100		30,455,000
Other Unified School District Certificates of Participation	Various (6)		161,313,063

(Continued)

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
JUNE 30, 2011

High School and School District General Fund Obligations	Various (6)	178,772,203
City of Beverly Hills General Fund Obligations	100	254,350,000
City of Los Angeles General Fund & Judgment Obligations	100	1,979,100,000
City of Long Beach General Fund Obligations	100	216,360,000
City of Long Beach Pension Obligations	100	62,775,000
City of Pasadena General Fund Obligations	100	504,139,935
City of Pasadena Pension Obligations	100	111,636,488
Other Cities' General Fund Obligations	100	1,350,754,209
Los Angeles County Sanitation Districts General Fund Obligations	100	325,140,000
Subtotal Overlapping General Fund Obligation Debt		\$ 5,837,620,355
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		7,462,844,302
Less: Los Angeles County Lease Revenue Bonds supported by landfill revenues		(18,838,269)
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investments funds		(34,702,048)
Cities' self-supporting bonds		(161,594,029)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,247,709,956
GROSS COMBINED TOTAL DEBT		\$ 33,280,288,031 (7)
NET COMBINED TOTAL DEBT		\$ 33,065,153,685
 TOTAL GROSS DIRECT DEBT		 \$ 1,679,018,947
TOTAL NET DIRECT DEBT		\$ 1,660,180,678
TOTAL GROSS OVERLAPPING DEBT		\$ 31,601,269,084
TOTAL NET OVERLAPPING DEBT		\$ 31,404,973,007
 RATIOS TO 2010-11 NET ASSESSED VALUATION		
Total Overlapping Tax and Assessment Debt		2.45%
 RATIOS TO FULL CASH VALUE		
Gross Combined Direct Debt (\$1,679,018,947)		0.18%
Net Combined Direct Debt (\$1,660,180,678)		0.18%
Gross Combined Total Debt		3.62%
Net Combined Total Debt		3.60%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/10:		0

Notes:

- (1) This balance is reduced by homesteaders exemptions of \$8,195,486,240.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance, and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint UHSD and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
- (4) Excludes refunding issue to be sold.
- (5) Excludes tax and revenue anticipation notes to be sold.
- (6) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
- (7) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease and tax allocation obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

Source:

California Municipal Statistics - for general information purposes only.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

						COMPUTATION OF LEGAL DEBT MARGIN June 30, 2011	
Fiscal Year	Assessed Value (1)	Legal Debt Limit (2)	Total Net Applicable Debt	Legal Debt Margin (3)	Legal Debt Margin/ Debt Limit		
2001 - 2002	\$ 622,362,097	\$ 7,779,526	\$ 16,975	\$ 7,762,551	99.78%	Assessed valuation (net taxable)	\$ 1,055,470,090
2002 - 2003	660,255,041	8,253,188	10,955	8,242,233	99.87%	Applicable percentage in computing capacity	1.25%
2003 - 2004	709,612,258	8,870,153	6,155	8,863,998	99.93%		
2004 - 2005	761,355,097	9,516,939	2,265	9,514,674	99.98%	Total debt limit	\$ 13,193,376
2005 - 2006	835,901,668	10,448,771	1,080	10,447,691	99.99%		
2006 - 2007	925,514,924	11,568,937	370	11,568,567	100.00%	Less: Total net applicable debt	0
2007 - 2008	1,009,911,291	12,623,891	0	12,623,891	100.00%		
2008 - 2009	1,080,877,141	13,510,964	0	13,510,964	100.00%	Legal debt margin, June 30, 2011	\$ 13,193,376
2009 - 2010	1,075,011,704	13,437,646	0	13,437,646	100.00%		
2010 - 2011	1,055,470,090	13,193,376	0	13,193,376	100.00%		

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Taxable Property" schedule. This information above represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) The Legal Debt Limit is 1.25% of assessed value.
- (3) The Legal Debt Margin is the Flood Control District's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable from the Legal Debt Limit.

Source:

County of Los Angeles Auditor-Controller.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PLEDGED-REVENUE COVERAGE (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Revenue Bonds

<u>Fiscal Year</u>	<u>Revenue Collected</u>	<u>Debt Service</u>		<u>Total</u>	<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2001 - 2002	\$ 107,552	\$ 158,135	\$ 54,267	\$ 212,402	0.51
2002 - 2003	115,003	143,195	39,003	182,198	0.63
2003 - 2004	111,697	131,790	32,821	164,611	0.68
2004 - 2005	112,653	119,615	27,414	147,029	0.77
2005 - 2006	113,296	126,760	31,159	157,919	0.72
2006 - 2007	112,524	113,190	25,642	138,832	0.81
2007 - 2008	118,798	99,210	20,539	119,749	0.99
2008 - 2009	126,963	84,705	15,962	100,667	1.26
2009 - 2010	116,615	69,610	11,978	81,588	1.43
2010 - 2011	113,999	53,795	8,712	62,507	1.82

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED) (1)
 LAST TEN FISCAL YEARS (in thousands)

Year	Population County of Los Angeles *	Personal Income **	Per Capita Personal Income (2)	School Enrollment (3) ***	Unemployment Rate	
2002	9,825	\$ 301,003,000	\$ 30,636	1,711	6.8%	
2003	9,979	310,044,000	31,070	1,736	7.0%	
2004	10,103	329,048,000	32,569	1,742	6.5%	
2005	10,226	349,868,000	34,214	1,734	5.3%	
2006	10,246	370,860,000	36,196	1,708	4.5%	
2007	10,332	379,824,000	36,762	1,673	4.4%	
2008	10,364	411,000,000	39,657	1,648	6.2%	
2009	10,393	392,000,000	37,718	1,632	11.7%	
2010	10,441	405,000,000	38,789	1,575	12.3%	
2011	10,557	427,000,000	40,447	1,590	12.4%	(4) ****

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Amounts shown are in actual dollars (not thousands).
- (3) Public school enrollment.
- (4) Year 2011 is an estimate as of July 2011.

Sources:

- * Los Angeles Economic Development Corporation Economic Forecast: website address: www.laedc.com
- ** Bureau of Economic Analysis website address: www.bea.gov. Year 2011 is an estimate forecast from Los Angeles Economic Development Corporation Economic Forecast: website address: www.laedc.com
- *** California Department of Education website address: www.cde.ca.gov.
- **** Los Angeles Economic Development Corporation-Economic Forecast : website address: www.laedc.com

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
TEN LARGEST INDUSTRIES (UNAUDITED) (1) & (2)
CURRENT YEAR AND NINE YEARS AGO

	JUNE 30, 2011			JUNE 30, 2002		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total</u>
<u>Industry</u>						
Trade, Transportation and Utilities	729,800	1	17.22%	782,600	1	17.84%
Government	577,600	2	13.63%	615,000	2	14.02%
Professional & Business Services	527,200	3	12.44%	577,400	3	13.16%
Educational & Health Services	525,100	4	12.39%	447,700	5	10.20%
Leisure & Hospitality	395,300	5	9.33%	358,000	6	8.16%
Manufacturing	377,700	6	8.91%	541,900	4	12.35%
Financial Activities	206,100	7	4.86%	231,400	7	5.27%
Information	200,700	8	4.74%	207,900	8	4.74%
Other Services	136,800	9	3.23%	147,200	9	3.35%
Construction	100,300	10	2.37%	134,500	10	3.07%
Ten largest industries	3,776,600		89.12%	4,043,600		92.16%
All other industries	461,100		10.88%	343,900		7.84%
Total industries	4,237,700		100.00%	4,387,500		100.00%

Notes:

- (1) This schedule is based on the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) We are presenting employment by industry because we have been unable to obtain employment numbers for individual employers.

Sources:

State of California Employment Development Department website address: www.edd.ca.gov/labormarketinfo.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS

Function/Program	(1) and (2)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Government		10,808	11,063	11,201	10,915	11,018	11,185	11,692	11,605	11,100	10,831
Public Protection	(3) and (4)	38,428	38,175	37,688	37,065	38,049	39,528	41,560	42,583	36,378	35,428
Health and Sanitation		27,737	27,056	26,079	26,322	26,717	27,072	27,395	27,345	26,826	26,133
Public Assistance		19,536	19,310	19,048	19,132	19,540	20,329	20,867	20,940	20,665	20,280
Education		1,666	1,706	1,722	1,722	1,828	1,871	1,878	1,829	1,622	1,481
Recreation and Cultural Services		2,352	2,406	2,388	2,324	2,393	2,649	2,977	3,075	2,861	2,761
Total		<u>100,527</u>	<u>99,716</u>	<u>98,126</u>	<u>97,480</u>	<u>99,545</u>	<u>102,634</u>	<u>106,369</u>	<u>107,377</u>	<u>99,452</u>	<u>96,914</u>

Notes:

- (1) Full-time equivalent count is calculated by dividing the total number of man-months paid by 12. Full-time equivalent employees include all employees on the County's payroll system. This accounts for the difference between the total number of County employees on this schedule and the number of County employees per the "Principal Employers" schedule.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) Beginning with 2009-10, total reflects the exclusion of Superior Court employees that are no longer on the County's payroll and are identified as State employees.
- (4) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area. Full-time equivalent County employees in the Flood Control District are reflected under the Public Protection Function/Program.

Source:

Employee Count study performed by the County of Los Angeles Auditor-Controller, Accounting Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS

Function/Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Estimated)
Public Protection										
Flood Control										
Operation and maintenance costs per mile of storm drain maintained	\$ 1,891	\$ 1,088	\$ 1,309	\$ 1,602	\$ 2,423	\$ 2,127	\$ 2,312	\$ 2,712	\$ 2,753	\$ 2,530
Operation and maintenance costs per mile of channel maintained	52,690	45,459	51,864	46,046	54,977	46,530	53,235	50,413	44,375	53,745
Operation and maintenance costs per thousand cubic yards of debris basin capacity	672	1,664	915	1,741	1,137	918 (1)	1,142 (1)	2,096 (1)	2,365 (1)	2,382 (1)
Operation and maintenance costs per acre-foot of dam capacity	125	148	197	211	135	119 (1)	139 (1)	139 (1)	144 (1)	141 (1)
Total	\$ 55,378	\$ 48,359	\$ 54,285	\$ 49,600	\$ 58,672	\$ 49,694	\$ 56,828	\$ 55,360	\$ 49,637	\$ 58,798

Notes:

(1) Excludes cost for sediment removal.

Sources:

FYs 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 Proposed County Budgets, Volume One.
 FY 2011-12 Recommended Budget Program Summary and Performance Measures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST EIGHT FISCAL YEARS

Function/Program	(1)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Public Protection									
Linear Feet of Channel		2,924,837	2,924,837	2,926,093	2,929,431	2,933,167	2,944,493	2,944,493	2,957,914
Linear Feet of Storm Drain		15,077,213	15,087,435	15,150,380	15,198,381	15,270,645	15,339,825	15,387,010	15,502,797
CDS Unit		17	17	17	17	24	33	47	57
Debris Basin		129	129	129	129	131	132	135	136
Debris Retaining Inlet		260	260	260	260	268	270	277	286
Detention Retention B		21	21	21	21	21	21	21	22
Crib Dam		234	234	234	234	234	234	234	234
Barrier		3	3	3	3	6	6	6	9
Pump Plant		52	52	52	53	53	53	53	53
Spreading Ground		26	26	26	26	26	26	26	26
Dam		15	15	15	15	15	15	15	15
Stream Gauging Station		60	60	60	60	60	60	60	60
Catch Basin		77,827	77,827	77,827	77,827	77,847	77,856	77,856	79,550

Notes:

(1) Trend data is available for only the prior seven years since the implementation of GASB 34.

Sources:

"Flood Network" for FY 2003-04, FY 2004-05, FY 2005-06, FY 2006-07, FY 2007-08, FY 2008-09, FY2009-10 and FY 2010-11 provided by County of Los Angeles Department of Public Works, Fiscal Division, Expenditure Management Section, Property Unit.

Other Compliance Report



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Los Angeles County Flood Control District (District), a component unit of the County of Los Angeles, California, as of and for the fiscal year ended June 30, 2011 which collectively comprise the Los Angeles County Flood Control District's basic financial statements, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Los Angeles County Flood Control District are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 19, 2011

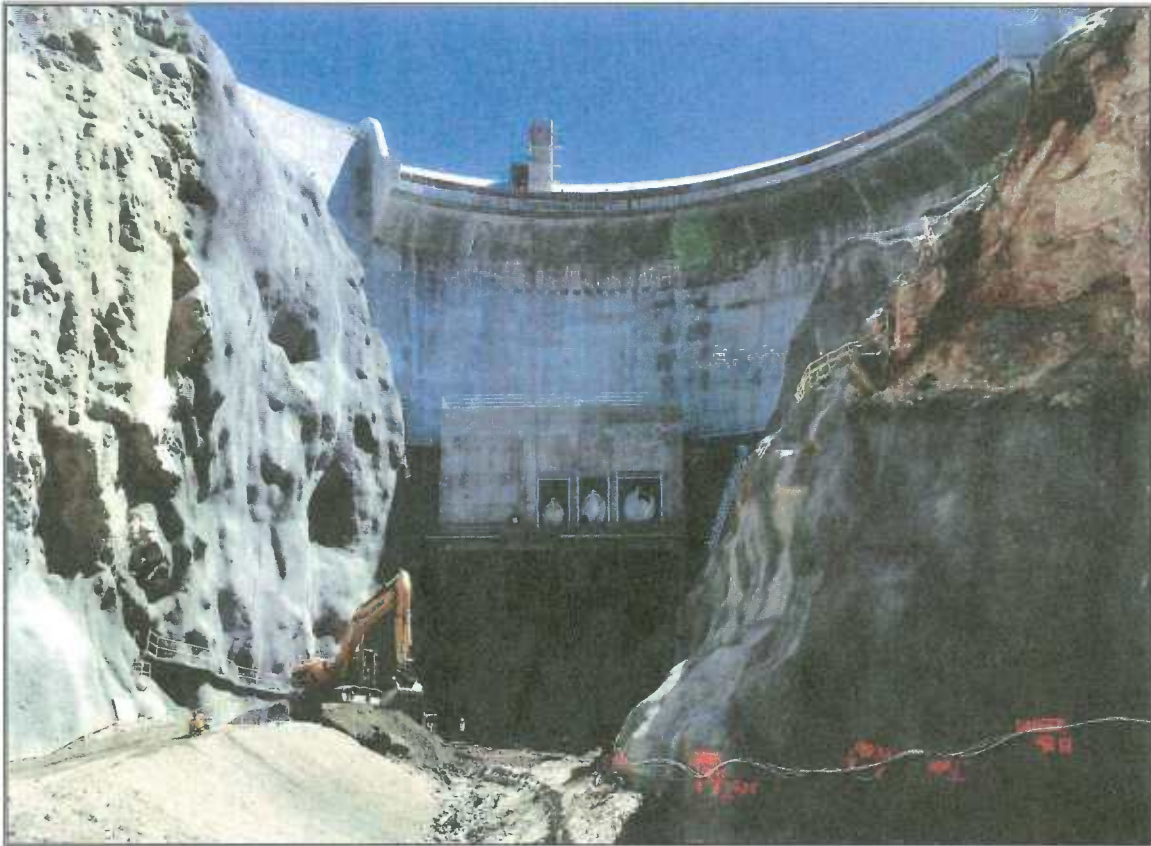
Photo Gallery

Los Angeles County Flood Control District Fiscal Year 2011 – Photo Gallery

Big Tujunga Seismic Rehabilitation and Spillway Modification

Thursday, July 21, 2011, the County of Los Angeles Department of Public Works celebrated the completion of a massive \$100 million seismic retrofit of the Big Tujunga Dam, located in the Angeles National Forest (also see cover).

Built in the 1930s, “Big T” stands as tall as a 20 story building and serves as a vital component of Los Angeles County’s flood protection system. The three-year-long retrofit literally involved building a new dam in front of the old structure and fusing the two together. The dam is situated in a spectacular canyon which was completely devastated by the 2009 Station Fire.



The project was a geotechnical, structural, hydraulic, mechanical and electrical rehabilitation of the dam to alleviate state-mandated water storage restrictions. For 30 years, the reservoir operated at a level and storage capacity of 25%. The new structure also allows low-flow release to recharge stream flows in support of the federally “threatened” Santa Ana Sucker fish.

Total Construction Cost: \$94.8 Million

Debris Basin Enlargement

Los Angeles County Flood Control District enlarged six debris basins this year, including Big Briar and Pinelawn Debris Basins shown here, near the mountainous area scorched by the massive 2009 Station Fire. Rainstorms following the fire washed more than one million cubic yards of debris down the denuded hillsides. The debris basins were overwhelmed, causing the destruction of homes and repeated residential evacuations. The increased capacity of the six affected basins is expected to further protect the hillside communities of La Canada Flintridge, Montrose, Glendale and La Crescenta.



Big Briar Debris Basin



Pinelawn Debris Basin

Termino Ave Storm Drain Project

To alleviate neighborhood flooding, the Los Angeles County Flood Control District built approximately 2 miles of new storm drain within the City of Long Beach. The new system was designed to bring much-needed flood relief to the communities of southeast Long Beach. The new drainage system replaced a pre-existing drain that was too small to serve the current needs of the watershed.

Neighborhood
flooding prior
to storm drain
construction



Storm drain under
construction

Storm drain outlet
structure in Marine
Stadium



BEN LOMOND AND CITRUS SPREADING GROUNDS INTERCONNECTING DRAIN

The Los Angeles County Flood Control District used nearly 3,700 linear feet of 48-inch reinforced concrete pipe to construct a drain connecting two spreading grounds along Arrow Highway, in the Covina area. The Ben Lomond and Citrus Spreading Grounds were linked to help maximize water conservation efforts. Approximately 300 acre-feet of stormwater is expected to be conserved annually in the Main San Gabriel Basin.

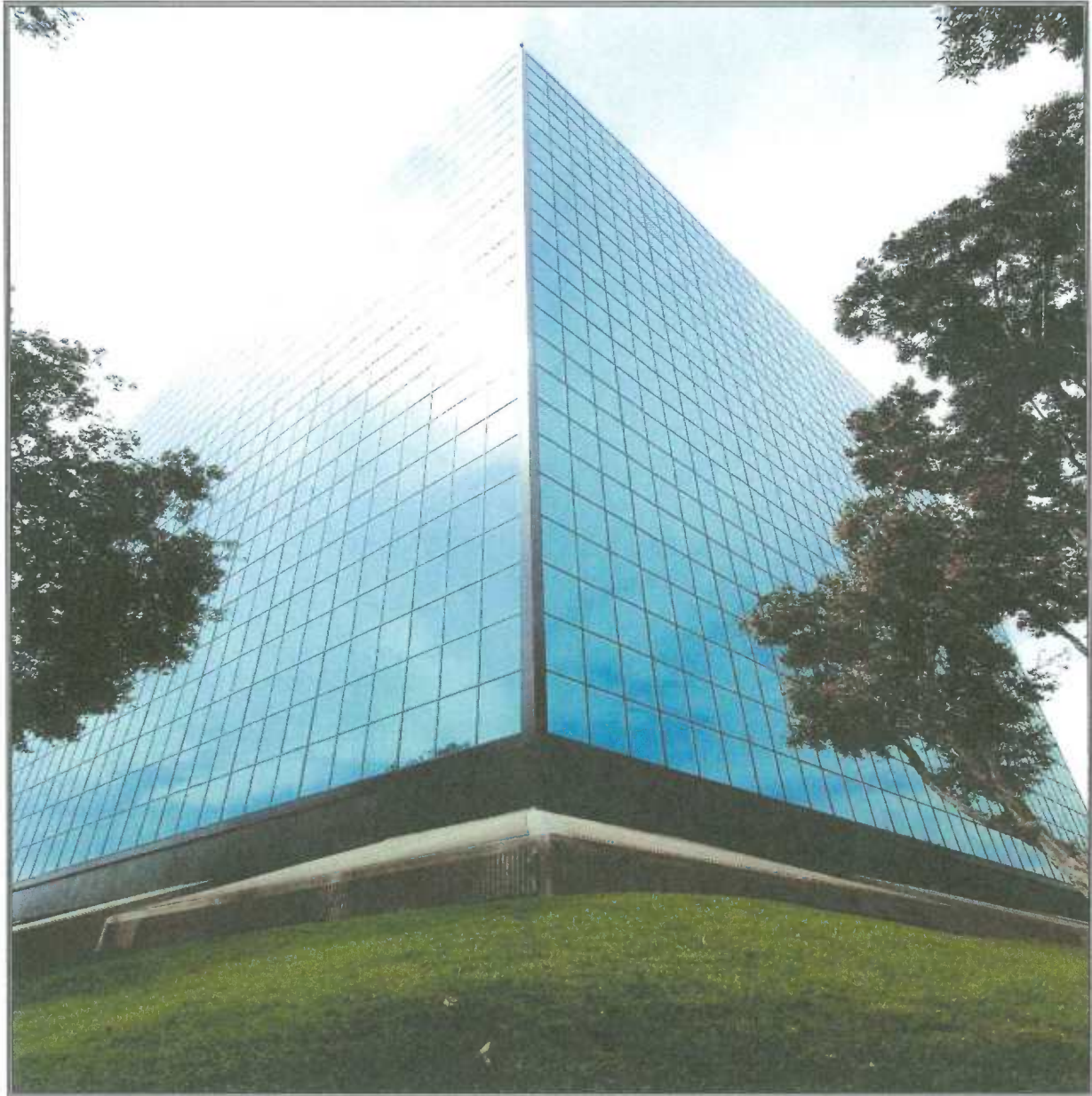


Pre-construction staging



**Connecting drain under
construction**

Los Angeles County Flood Control District



Tom A. Tidemanson Building
Public Works Headquarters

